Calendar No. 2284

84TH CONGRESS, 2d Session } SENATE { REPORT No. 2263

EXTENSION OF CAPITOL GROUNDS

JUNE 19, 1956.—Ordered to be printed

Mr. CHAVEZ, from the Committee on Public Works, submitted the following

REPORT

[To accompany S. 3704]

The Committee on Public Works, to whom was referred the bill (S. 3704) to authorize the acquisition of the remaining property in square 725 and the property in square 724 in the District of Columbia for the purpose of extension of the site of the additional office building for the United States or for the purpose of addition to the United States Capitol Grounds, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are indicated in the bill as reported by linetype and italics.

PURPOSE

The purpose of this bill is to authorize the Architect of the Capitol, under the direction of the Senate Office Building Commission, to acquire by purchase, condemnation, transfer, or otherwise, all publicly or privately owned real property in square 724 and the remainder of square 725, in the District of Columbia, for purposes of extension of the site of the additional office building for the United States Senate and for purposes of extension of the United States Capitol Grounds, and to provide for the demolition and/or removal of any building or other structures located on such property.

GENERAL STATEMENT

The continuous growth of the population of the United States, of the city of Washington and its environs, and the incessant growth of congressional requirements, makes it imperative for the Congress to provide itself with adequate space in the vicinity of the Capitol to permit its own inevitable future growth.

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The Senate has never been liberal or extravagant in providing accommodations for itself or its needs. The Senate personnel totaled 575 in 1909, 1,092 in 1949, 1,948 in 1954, and over 2,200 in 1956. The present Senate Office Building was completed in 1909, except for the First Street wing which was erected 1931–33, providing the last accommodations constructed for the Senate. In 1948 construction of an additional office building was authorized. Construction thereon was initiated in 1955 and the building is scheduled for completion in the spring of 1958. Because of inadequate office space in the present Senate Office Building the Senate now houses 156 of its employees, occupying 32,312 square feet of space, in two Federal buildings near the Capitol.

The growth of population in the area and the increase in personnel of the Senate, has an important bearing on the availability, need, and use of property in the District of Columbia for housing and office purpose. The trend in recent years for labor and similar organizations to establish their national headquarters and construct office buildings in the District of Columbia has also had its effect on property utilization and property values.

Since World War II, the effects of these conditions have been distinctly noticeable in the vicinity of the Capitol. During this period there has been underway a program of restoration and improvement of old homes in areas near the Capitol. Such improvements have more than doubled property values. Removal of slums and obsolete dwellings from other sections near the Capitol will undoubtedly result in further improvements and increased property values in other sections in that vicinity. These improvements, with the resulting shift of population, have already caused increased activity in the real-estate market in the Capitol Hill area.

In 1931, 2 squares were acquired in that area in each of 3 separate transactions at a cost of $1 million and less. In 1949, the cost of acquiring only one-half of square 725 as a site for the new Senate Office Building amounted to $1 million.—In 1954, subsequent to the purchase of the west half of that square, the alley dwellings in Schott's Court, located in the east half of the square were purchased by private interests and have since been completely rehabilitated and converted into deluxe living quarters, resulting in increased property value.

In view of this noted increase in property values, and the obvious need for additional space for expansion of activities in the not too distant future, it appears that provisions should be made at this time for such future expansion by acquisition of certain adjacent properties. It is apparent that in addition to the needs of Congress, it will not be too long before an additional building will be needed for the Library of Congress, and the Administration Office of the United States Courts now housed in the Supreme Court Building.

HEARINGS

The Subcommittee on Public Buildings held public hearings on S. 3704 on May 21 and 22, 1956. Testimony and statements were received by the subcommittee from numerous individuals and organizations interested in the legislation. These witnesses included United States Senators; Members of the House of Representatives; representatives of the District of Columbia and the National Capital

Planning Commission; the Architect of the Capitol; representatives of the National Woman's Party, the Veterans of Foreign Wars, historical societies, and others.

Various witnesses approved the purpose of the bill to obtain authority for the acquisition by Congress of 1½ squares of real property to provide an adequate and proper site for the Senate Office Building now under construction, and to extend the Capitol Grounds to afford room for future expansion of legislative facilities. Acquisition of the area at the present time was stated as necessary to improve and make its form more practical and usable, to insure protection of the Capitol Grounds and its buildings from private development, to obtain the property before it is extensively improved and render its acquisition more costly, to provide an underground parking area for employees and visitors, and its eventual use for building sites.

Opposition to Federal acquisition of the 1½ squares was expressed by representatives of the Veterans of Foreign Wars and the National Woman's Party. The representatives of the VFW outlined their plans and procedures in assessing their membership to purchase the necessary land in Washington for construction of a $1,500,000 national war memorial building. A site on square 724 has been acquired at a cost of about $150,000, on which they had hoped to erect the building. Additional expenditures have been incurred in design work and foundation investigations. An early decision on the matter was requested.

The National Woman's Party owns and occupies the Alva Belmont House which is located on 15,017 square feet in square 725, at the southeast corner of Constitution Avenue and Second Street. This house was apparently built about 1800, and figured prominently in the early history of our Nation's Capital. Shots were fired from this house on British soldiers advancing on Washington during the War of 1812, who set fire to the house and it was partially burned. The house has since been restored and is now in a good state of preservation. Representatives of the National Woman's Party and various historical societies, and others, requested that this property be exempted from the proposed acquisition of the remainder of square 725.

DISCUSSION

The committee is of the opinion that the future expansion of legislative facilities must be met by enlargement of the present Capitol Grounds by acquiring adjacent land suitable for such use. Foresight should be exercised and the desired land secured before it is redeveloped for use as national organizational headquarters, large apartment houses or other expensive modern private buildings.

A well-defined cycle of growth has been apparent since the turn of the century. Increased duties and responsibility of Congress, together with the necessary expansion of personnel seems imminent. Since World War II considerable new building and restoration has taken place adjacent to and near the Capitol Grounds.

The committee believes it essential that square 724 and the remainder of square 725 be acquired at the present time to protect the old and new Senate Office Buildings from adverse or undesirable developments on adjoining properties or frontages, to hold these properties in reserve for possible future expansion, and to save the added costs of future acquisition due to rising land values and inevitable improve-

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ments which would otherwise occur on the property. It is estimated that the property can now be acquired at a cost of between $4.5 and $5 million.

The past delay in authorizing this acquisition has resulted in a tremendous increase in value. Further delay will result in a greater increase in the value of this 1½ squares, of from $5 to $6 million because of proposed or anticipated new buildings in the near future. This has been demonstrated in the case of the proposed new House Office Building, where a site that had been obtained for a $1.5 million apartment building was acquired for about $200,000.

It is believed extremely unwise and poor planning to build the new $20 million Senate Office Building on one-half of a square and have one side of that building virtually touching many other buildings of various sizes and shapes. United States Capitol buildings should certainly be separated from private development by no less than a street and some additional open area. Enlarging the Capitol Grounds for future building expansion and parking facilities should include regular boundaries without indentations projecting into them.

If past history may be used as a criteria for future congressional needs, there remains little doubt that at the Senate will require additional space for further expansion in the not too distant future. If the east half of square 725 and all of square 724 is not acquired at this time and held for extension of buildings and as additions to the Capitol Grounds, there is no effective means of preventing large and modern buildings from being erected in the area or the purchase and improvement of the properties by speculators, which would result in great increases in property values.

Undue delay could prove very costly, as in the case of the new Senate Office Building now under construction. Since that building was authorized 8 years ago, building costs have been rising steadily, with little indication of leveling off. From the time its construction was stopped in 1949 until resumption of construction in 1955, the building costs advanced more than 30 percent, which represents an increase in cost of over $5 million, which must be met through additional appropriations or through curtailment of the extent of construction.

The committee recognizes the concern of certain property owners in squares 724 and 725 relative to the acquisition of their real property. The Veterans of Foreign Wars have raised funds throughout the United States for construction of an elaborate memorial building in square 724. To permit them to proceed with their plans would further increase the Federal cost of acquisition at a later date, and necessitate their constructin- another building at that time, including acquisition of another site at probable then inflated prices, and with even greater restriction in choice of sites that now exist. In their consideration of the acquisition of the site owned by the Veterans of Foreign Wars, the committee requested the Architect of the Capitol to consult and cooperate with officials of that organization and assist them in every possible manner in locating a suitable alternate site prior to acquisition of their property. It is understood that some progress has been made in that direction.

There is only one building in the entire area proposed to be acquired that is of an historical character, which suggests that it not be demolished at this time. The Alva Belmont House on the southeast

corner of square 725 is owned by the National Woman's Party of the United States, and is of real historical significance. The committee is entirely sympathetic with the idea of preserving items of historic value for posterity. It realizes that exemption of certain areas from acquisition in the past has proved to be unsatisfactory, and does not believe such an exemption in this case would prove desirable.

These matters were thoroughly discussed and carefully considered by the committee in executive session. Various amendments to the bill were considered that would exempt certain portions of the property from acquisition, exempt same for a period of time, and limit the extent of acquisition by condemnation. It was decided that all the real property in the 1½ squares should be acquired, with similar treatment given to all organizations as that given to private citizens.

The committee felt, however, that under the provisions of section 5 of the bill, acquisition of the property would not necessitate the immediate dispossession of the present occupants nor necessarily mean the destruction of the buildings at this time. It was thought that when title to the property is acquired, the occupants could continue for several years as tenants if they so desire, or that other uses could be found for certain of the buildings until their site is actually needed for building purposes. For instance, it was suggested that the Alva Belmont House be utilized as a residence for the Vice President of the United States. Section 5 was amended to permit removal of any buildings or structures from the site that may be desired, and is construed to authorize the Architect of the Capitol to demolish any buildings or structures acquired and remove the debris from the site, or in acquisition of the site to permit removal of any building or structure therefrom to other sites.

The committee is aware of the splendid record of the Architect of the Capitol has made in acquisition of real property for extension of the Capitol Grounds without jury trials for determination of compensation. It is hoped that this fine record can be sustained in this instance, and that the property can be obtained by negotiation and amicable settlements with owners thereof.

The committee recommends amendments to the bill providing for the incorporation into the Capitol Grounds of certain streets that would be physically within the grounds if the block and one-half is acquired. The responsibility for maintenance and improvement and certain other jurisdiction would remain with the Commissioners of the District of Columbia, with enforcement of parking regulations under the jurisdiction of the Capitol Police Board.

The committee understands that the District of Columbia is now engaged in a study of adjusted zoning regulations to meet the expected increase in population and its effect on the areas surrounding Capitol Hill. Intensive studies are also in progress on traffic conditions, the impact which these improvements now underway and proposed will have on traffic in and near Capitol Hill, and the possible future needs to pass the traffic through the Capitol Grounds.

The committee urgently recommends enactment of S. 3704 to provide for acquisition of square 724 and the remainder of square 725 at the present time for 2 primary purposes, retention for inevitable future expansion and a savings in cost to the United States. It is believed that advance planning should be continued and the future needs anticipated, not only for the Congress, but for the other agencies on Capitol Hill.

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The favorable reports on this bill from the Bureau of the Budget and the National Capital Planning Commission are as follows:

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., May 11, 1956.

Hon. DENNIS CHAVEZ,
Chairman, Committee on Public Works,
United States Senate, Senate Office Building,
Washington, D. C.

MY DEAR MR. CHAIRMAN: This will acknowledge receipt of your request of April 24, 1956, for the views of the Bureau of the Budget on S. 3704, to authorize the acquisition of the remaining property in square 725 and the property in square 724 in the District of Columbia for the purpose of extension of the site of the additional office building for the United States Senate or for the purpose of addition to the United States Capitol Grounds.

In connection with our consideration of this bill we requested the views of the Commissioners of the District of Columbia, and copies of their reply are enclosed. We believe that the suggestions made by the Commissioners merit favorable consideration.

Subject to the above comment, the Bureau of the Budget would have no objection to the enactment of S. 3704.

Sincerely yours,

PERCY RAPPAPORT,
Assistant Director.

WASHINGTON, D. C., *May 10, 1956.*

Hon. ROGER W. JONES,
Assistant Director, Legislative Reference,
Executive Office of the President,
Bureau of the Budget, Washington, D. C.

MY DEAR MR. JONES: Pursuant to your letter dated April 27, 1956, requesting the views of the Board of Commissioners on S. 3704, a bill to authorize the acquisition of the remaining property in square 725 and the property in square 724 in the District of Columbia for the purpose of extension of the site of the additional office building for the United States Senate or for the purpose of addition to the United States Capitol Grounds, the Commissioners submit the following comments thereon.

It is suggested that section 2 of the bill be amended as follows:

Page 2, line 12, strike the words "of sidewalks".

This deletion would serve to clarify the intent of section 2.

Our master highway plan calls for a widening of D Street in the area included in the bill, and in order to conform to this plan the south curb of D Street is to be removed to a point 4 feet south of the present curb line. Therefore, in order to conform S. 3704 to the present highway plan of the District of Columbia, it is suggested that the following proviso be added to section 2:

Page 2, line 13, immediately before the period, insert a semicolon and the following words: "*Provided,* That the north boundary of square 724 shall be deemed to extend to a point four feet south of the outer face of the existing south curb of D Street in said square".

It is noted that section 6 of the proposed bill extends the jurisdiction of the Capitol Police to any real property acquired under the bill.

It is further noted that section 1 contemplates that the land acquired pursuant to this bill shall be for the purposes of extension of the site of the additional office building for the United States Senate or for additions to the United States Capitol Grounds.

Public Law 785, 80th Congress, in providing for the acquisition of the present site (west half of square 725) for the additional office building for the United States Senate contains a proviso to the effect that upon completion of the project, the building and the grounds and the sidewalks surrounding the same shall be subject to the provisions of the act of July 31, 1946 (60 Stat. 718), in the same manner and to the same extent as the present Senate Office Building and the grounds and sidewalks surrounding the same.

The act of July 31, 1946 is an act to define the area of the United States Capitol Grounds and to regulate the use thereof, and for other purposes. It is suggested, that since the west half of square 725 is, by the provisions of Public Law 785, 80th Congress, within the area of the United States Capitol Grounds, the area defined in S. 3704 be also included in the area of the United States Capitol Grounds. It is therefore suggested that S. 3704 be amended to contain the following proviso at the end of section 1:

Page 2, line 9, immediately before the period, insert a semicolon and the following language: "*Provided*, That upon the acquisition of such real property by the Architect of the Capitol on behalf of the United States, such property shall be subject to the provisions of the Act of July 31, 1946 (60 Stat. 718) in the same manner and to the same extent as the present Senate Office Building and the grounds and sidewalks surrounding the same".

Subject to the above recommended amendments the Commissioners have no objection to S. 3704.

Yours very sincerely,

DAVID B. KARRICK,
Acting President, Board of Commissioners,
District of Columbia.

NATIONAL CAPITAL PLANNING COMMISSION,
Washington, D. C., May 9, 1956.

Hon. DENNIS CHAVEZ,
Chairman, Committee on Public Works, United States Senate,
Senate Office Building, Washington, D. C.

DEAR SENATOR CHAVEZ: The National Capital Planning Commission at its meeting on May 4, 1956, was pleased to consider your request for a report and comment on the bill you introduced jointly with Senator Bridges, S. 3704, to authorize the acquisition of the remaining property in square 725 and the property in square 724 in the District of Columbia for the purpose of extension of the site of the additional office building for the United States Senate or for the purpose of addition to the United States Capitol Grounds.

The Commission believes that both these squares in their entirety should be added to the Capitol Grounds for the following reasons:

1. To protect the old and new Senate Office Buildings from adverse or undesirable developments on adjoining properties or frontages.
2. To hold these properties in reserve for possible future expansion.
3. To save the added costs of future acquisition due to rising land

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values and inevitable improvements which otherwise would occur on these squares.

In this connection, the Commission suggests that consideration be given to the longer range but similar objectives of its East Capitol Street plan, a proposal which seems to have recurrent favor and which is in harmony with the purposes of S. 3704. The recent completion of the East Capitol Street bridge again brings to the front some of the related features of this plan, which can be carried out only with congressional approval.

Under the original plan of this city, the Capitol was built facing the level plateau to the east. This is the natural direction for expansion of the legislative establishment or for functions related to or harmonious with the legislative arm of the Government.

A copy of the Commission's most recent version of the central area plan is attached.

The Bureau of the Budget advises that it has no objection to the submission of the above report.

Sincerely yours,

JOHN NOLEN, Jr., *Director.*

SECTION-BY-SECTION ANALYSIS

An analysis of the bill as recommended is as follows:

Section 1

This section would authorize the Architect of the Capitol, under the direction of the Senate Office Building Commission, in addition to the real property heretofore acquired in square 725 of the District of Columbia as a site for an additional office building for the United States Senate, to acquire on behalf of the United States, by purchase, condemnation, transfer, or otherwise, for purposes of extension of such site or for additions to the United States Capitol Grounds, all other publicly or privately owned real property in said square 725, and all similar property contained in square 724, including alleys or parts of alleys in each instance. Upon acquisition of such real property by the Architect, the grounds and sidewalks surrounding the same would be subject to the act of July 31, 1946 (60 Stat. 718) defining the area of the United States Capitol Grounds and regulating the use thereof.

Section 2

Section 2 provides that for the purposes of this act and the act of June 25, 1948, squares 724 and 725 shall be deemed to extend to the outer face of the curbs surrounding such squares, except that the north boundary of square 724 shall be deemed to extend to a point 4 feet south of the outer face of the south curb of D Street in said square.

Section 3

This section provides that any proceeding for condemnation brought under this act shall be conducted in accordance with the act approved March 1, 1929, providing for acquisition of land in the District of Columbia for the use of the United States.

Section 4

Section 4 provides that notwithstanding any other provision of law, any real property owned by the United States and contained in squares

725 and 724 shall upon request of the Architect of the Capitol, made with the approval of the Senate Office Building Commission, be transferred to the control of the Architect of the Capitol, and any alley, or part thereof, contained in said squares, shall be closed and vacated by the Commissioners of the District of Columbia in accordance with any request therefor made by the Architect of the Capitol with the approval of such Commission.

Section 5

This section provides that upon acquisition of any real property under the terms of this act, when directed by the Senate Office Building Commission to so act, the Architect of the Capitol is authorized to provide for the demolition and/or removal of any buildings or other structures on, or constituting a part of, such property and, pending demolition, to lease any or all of such property for such periods and under such terms and conditions as he may deem most advantageous to the United States, and to provide for the maintenance and protection of such property.

Section 6

Section 6 extends the jurisdiction of the Capitol Police to any real property acquired under this bill, and that upon completion of acquisition of all the properties in squares 724 and 725 authorized therein, the streets in and surrounding those squares shall become a part of the United States Capitol Grounds, subject to the provisions of the law defining the area of the United States Capitol Grounds. Said streets shall continue under the jurisdiction and control of the Commissioners of the District of Columbia, who shall continue their responsibility for the maintenance and improvement thereof, except that the Capitol Police Board shall have exclusive charge and control over the parking and impounding of vehicles on such streets, and the Capitol Police shall be responsible for the enforcement of such parking regulations as may be promulgated by the Capitol Police Board.

Section 7

This section authorizes the Architect of the Capitol, under the direction of the Senate Office Building Commission, to enter into contracts and to make such other expenditures, including expenditures for personal and other services, as may be necessary to carry out the purposes of this bill.

Section 8

Section 8 authorizes the appropriation of such sums as may be necessary to carry out the provisions of this bill.

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Calendar No. 2285

84TH CONGRESS, 2d Session } SENATE { REPORT No. 2264

ADDITION OF LANDS TO LASSEN VOLCANIC NATIONAL PARK, CALIF.

JUNE 19, 1956.—Ordered to be printed

Mr. BIBLE, from the Committee on Interior and Insular Affairs, submitted the following

REPORT

[To accompany S. 3743]

The Committee on Interior and Insular Affairs, to whom was referred the bill (S. 3743) to add certain federally owned land to the Lassen Volcanic National Park, in the State of California, and for other purposes, having considered the same, report favorably thereon with amendment and recommend that the bill do pass.

The amendment is as follows:

Strike all of section 2.

PURPOSE OF THE BILL

The introduction of this bill was requested by the Secretary of the Interior for the purpose of adding approximately 1,040 acres of federally owned land to the Lassen Volcanic National Park. The legislation would, as originally proposed, cancel a provision of the 1916 act creating the park which would have permitted a reclamation project on park lands.

The lands proposed to be added to the park are in three parcels, all now parts of the adjoining Lassen National Forest, administered by the Forest Service of the Department of Agriculture. The Department of Agriculture has agreed to the boundary adjustment for which the bill would provide.

One of the parcels to be transferred contains a section of the Lassen Peak Highway; another would assure permanent protection for the scenic character of certain forested lands which are in view from that highway; the third parcel would permit expansion of the campground at Manzanita Lake, which lies near the northwest corner of the park and which is the principal public-use area in the park. The lands

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proposed to be added will bring the gross area of the park to approximately 107,000 acres.

COMMITTEE AMENDMENT

The committee does not consider the repeal of the provision of the 1916 act permitting a reclamation development within the park boundaries to be relevant to the main objective of the bill, namely the addition of lands necessary to protect the integrity of the park. The development of reclamation installations within national park areas has been a very controversial issue in the past. The committee does not prefer to consider on a piecemeal basis such questions which it considers to be the proper subject of major policy determinations arrived at only after thorough hearings. Rather than delay this legislation authorizing the desired additions to the park, the committee has deleted the language repealing the provision dealing with reclamation development within the park.

The communication from the Secretary of the Interior requesting the introduction of this measure is set forth below.

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D. C., April 11, 1956.

Hon. RICHARD M. NIXON,
President of the Senate,
Washington 25, D. C.

MY DEAR MR. PRESIDENT: Transmitted herewith is a draft of a proposed bill to add certain federally owned land to the Lassen Volcanic National Park, in the State of California, and for other purposes. We recommend that this proposed bill be referred to the appropriate committee for consideration and we recommend that such bill be enacted.

This proposed legislation involves an adjustment of boundaries between the Lassen Volcanic National Park and the Lassen National Forest. The Department of Agriculture, which administers the Lassen National Forest, is agreeable to this boundary adjustment and concurs in it. In this connection, you will note that a provision has been included in the bill that will insure the right of the United States Forest Service to establish and use a particular highway for national-forest purposes through a portion of the proposed addition to the national park. We are agreeable to a reservation of this type as we believe that it will have no adverse effect upon the national park.

This proposed addition to the Lassen Volcanic National Park involves the addition of approximately 1,040 acres of land to the park. Three separate parcels of land would be added to the park. One of the additions (sec. 4) is desirable in order that a loop of the Lassen Peak Highway, an approach road to the national park which now lies outside of the park, would be included within the park boundaries. Addition of this particular tract to the national park will simplify the maintenance and administration of this portion of the highway.

Another tract that would be added to the park (sec. 11) which may be described as the Lost Creek addition, would provide a protective strip or buffer area on the east side of the creek just opposite the Lassen Peak Highway. This particular tract is visible from the Lassen

Peak Highway. Because of its present status as national forest land it may be subject to future logging operations. We believe that it should be included within the park boundaries in its present condition in order to retain the scenic effect that now exists in that area. The third tract that would be added to the park (sec. 19) is needed primarily in order to expand the campground at Manzanita Lake. The need for additional campground space has been so urgent that the National Park Service of this Department has entered into an agreement with the United States Forest Service of the Department of Agriculture whereby the National Park Service has undertaken the development and administration of the campground and other recreational facilities in the northeast quarter of section 19 which is now a part of the national forest. The two agencies are in agreement that the entire section 19 should be added to the national park in order to provide adequate space for public campground development.

The proposed legislation also would repeal the reservation, contained in the Lassen National Park Act of August 9, 1916 (39 Stat. 442; 16 U. S. C., 1952 edition, sec. 201), relating to the establishment of a reclamation project within the boundaries of the park. This authority has not been applied in 40 years since the park was established and we have no present or future plans for such a project within the park. Since Lassen Volcanic National Park was established on August 9, 1916, and the Congress enacted subsequently the basic national park statute of August 25, 1916 (39 Stat. 535; 16 U. S. C. 1952 edition, sec. 1), which prescribes the general policy of preserving the national parks in their natural condition unimpaired for the enjoyment of future generations, we believe the 1916 reservation should be repealed.

The Bureau of the Budget has advised us that there is no objection to the submission of this proposed legislation to the Congress.

Sincerely yours,

DOUGLAS MCKAY,
Secretary of the Interior.

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Calendar No. 2286

84TH CONGRESS, 2d Session } SENATE { REPORT No. 2265

IMPROVING GOVERNMENTAL BUDGETING AND ACCOUNTING METHODS AND PROCEDURES, AND FOR OTHER PURPOSES

JUNE 19, 1956.—Ordered to be printed

Mr. KENNEDY, from the Committee on Government Operations, submitted the following

REPORT

[To accompany S. 3897]

The Committee on Government Operations, to whom was referred the bill (S. 3897) to improve governmental budgeting and accounting methods and procedures, and for other purposes, having considered the same, report favorably thereon, without amendment, recommend that the bill do pass.

PURPOSE

The bill amends the Budget and Accounting Act of 1921 and the Budget and Accounting Procedures Act of 1950 so as to improve Federal budgeting and accounting methods and procedures as recommended by the Commission on Organization of the Executive Branch of the Government, to permit: (1) the inclusion of program costs and accomplishments in the annual budget; (2) the submission of budgetary requests for appropriations on an annual accrued expenditure basis; (3) the excess of appropriations on an annual expenditure basis over accrued expenditures to lapse, and the remaining balances to be transferred to a single account at the end of each fiscal year; (4) the agencies to prepare and execute their budgets on a cost basis; (5) the head of each agency to bring about consistency between accounting and budget classifications; (6) the synchronization of the accounting and budget classifications with the organization structure; (7) support of the budget justifications by information on performance and program costs by organizational units; (8) each agency to maintain its accounts on an accrual basis showing resources, liabilities, and operating costs; (9) the integration of property accounting records with the financial accounting system; and (10) the simplification of agency systems for subdividing funds.

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The bill specifically excludes the application of the annual accrued expenditure concept to requests for appropriations for the payment of certified claims, tax refunds, private relief acts, interest on trust funds, revolving funds, pensions, payment to former members of the Armed Forces, their dependents, and other similar appropriations for which the submission on an accrual basis would not serve any useful purpose.

The objectives listed herein are intended to be implemented by the President, although close cooperation of the executive and legislative branches of the Government will be essential. It is expected that the conversion of the budget and accounting system to the principles and procedures contemplated under this bill will take place on an agency by agency basis during the next 4 or 5 years.

Section 1 of the bill authorizes the President, to the maximum extent deemed desirable, to include information on program costs and accomplishments in the annual budget; to determine the amounts of proposed appropriations on an annual accrued expenditure basis; and to require the departments and establishments to develop their requests for appropriations from cost-based budgets and to use such cost-based budgets for purposes of administration and operation.

Section 2 provides for improved budget presentation by requiring the agencies to achieve consistency in accounting and budget classifications; synchronization between such classifications and organizational structure and to support their budget justifications by information on performance and program costs by organizational units. This section also provides that the accounts shall be maintained on an accrual basis and that the accounting system include adequate monetary property accounting records both of which are necessary prerequisites to the preparation of cost-based budgets.

Section 3 requires each agency to work toward the objective of financing each operating unit, at the highest practical level, from not more than one administrative subdivision for each appropriation or fund affecting such unit.

The bill makes ample provision for a modernized budget program based upon actual or estimated costs. Thus, the Congress will have the tools to review actual performance in the past and to exercise effective control over the expenditures to be accrued during the budget year. It will substantially reduce the huge unexpended balances of appropriations which presently are carried forward from prior years.

HOOVER COMMISSION RECOMMENDATIONS

The Hoover Commission recommendations on budget and accounting represent a constructive program to carry forward evolutionary improvements of the character urged by this committee since 1947. The first Hoover Commission made a significant contribution and many of its recommendations were included in the Budget and Accounting Procedures Act of 1950 sponsored by this committee. Others had already been achieved in whole or in part prior to the enactment of that legislation.

Enactment of S. 3897, would accomplish or pave the way for the accomplishment of the recommendations contained in the Budget

and Accounting Report of the second Hoover Commission dealing with—

1. Program costs and accomplishments in the executive budget;
2. Annual accrued expenditure appropriations;
3. A single account for each appropriation;
4. Cost-based budgets;
5. Information on performance and program costs by organizational units and synchronization of organization structures, budget classifications and accounting systems;
6. Accrual accounting, including adequate monetary property accounting; and
7. Simplification of allotment systems.

COMMITTEE ACTION

The Subcommittee on Reorganization held hearings on March 20, 21, 26, 27, and 28, 1956, on a related bill, S. 3199, which was introduced in the Senate for the purpose of implementing the recommendations of the Hoover Commission. At these hearings the sponsor of S. 3199 (Senator Payne) and representatives of the principal departments and agencies of the Government testified in favor of its objectives. Some of the witnesses, however, expressed certain reservations regarding those provisions which would require the assignment of budget experts to the large agencies, establishment of a comptroller in each agency, establishment of a staff office of accounting in the Bureau of the Budget, and other objectives which it is believed could be attained administratively under existing law.

At the direction of the chairman, representatives of the General Accounting Office, the Department of the Treasury, the Bureau of the Budget, and the staff of the committee redrafted the bill, which was introduced as S. 3897 on May 21, 1956, by Senator Kennedy, chairman of the Subcommittee on Reorganization, with Senator Payne and 30 other Senators as cosponsors.

The subcommittee held hearings on S. 3897 on June 4, 5, and 6, 1956, during which time all of the witnesses endorsed the objectives contained in the bill, and recommended favorable action thereon. However, representatives of several agencies, in communications to the committee, express some concern over the application of the bill to no-year appropriations and other funds which are made available for procurement of long-lead-time items or other similar types of programs and activities. In this connection, the Department of Defense expressed considerable concern regarding the application of the language in section 1 (a) of the bill with respect to the authority of Congress to grant obligation authority in advance of appropriations.

The Department recommended that, if the accrued expenditure basis of appropriations is adopted, as contained in the bill, section 1 (a) be amended so as to provide a means for continuing obligational authority. The Department expressed the opinion that such action is necessary in order to provide a complete bill, and to make it clear that the existing authority to include requests for contract authorizations in the budget will not be abrogated. For this reason the Department recommended that a proviso be inserted in subsection 1 (b) stating that—

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> nothing in this subsection shall be construed to affect the authority of the President to submit requests for authorizations to create obligations in advance of appropriations.

Counsel for the Comptroller of the Department of Defense reported that there was some doubt as to whether the section, when made applicable to the President, would have the effect of canceling the definition of appropriations, particularly the authority to create obligations in advance of appropriations.

The amendment recommended by the Department of Defense was considered by the subcommittee, with a view of determining its implication on the overall objectives of the National Military Establishment, and after consultation with attorneys of the General Accounting Office and representatives of the Bureau of the Budget, the chairman requested a formal interpretation of the section from the Comptroller General of the United States.

COMMENTS OF THE COMPTROLLER GENERAL

By letter dated June 6, 1956, the Comptroller General ruled that it is his considered opinion that there is no conflict whatsoever between the new subsection 201 (b) contained in the bill and the present section 201 of the Budget and Accounting Act of 1921, as amended; that the new language could not be construed as restricting the authority to request contract authorizations in the bill pending before the committee.

The Comptroller General concluded by stating:

> It thus seems very clear to us that the existing authority to include requests for contract authorizations in the budget would not be abrogated by this bill, and that the clarifying language suggested by the Department of Defense is unnecessary.

The complete text of the Comptroller General's decision is contained herein and made a part of this report.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, June 6, 1956.

Hon. JOHN F. KENNEDY,
Chairman, Subcommittee on Reorganization,
Committee on Government Operations,
United States Senate.

DEAR MR. CHAIRMAN: During the hearings this morning on S. 3897, representatives of the Department of Defense suggested that the language of the proposed section 201 (b) of the Budget and Accounting Act, 1921, might be clarified by the insertion of the following proviso at the end of the paragraph in lines 6 through 9 of page 2 of S. 3897: "*Provided*, That nothing in this subsection shall be construed to affect the authority of the President to submit requests for authorizations to create obligations in advance of appropriations."

The Defense representatives apparently felt that the present langauge of lines 6 through 9 might possibly be construed as repealing by implication the authority for requesting contract authorizations contained in the present section 201 of the Budget and Accounting

Act, 1921. It is our considered opinion that there is no conflict whatsoever between the language of the new subsection 201 (b) proposed to be added by this bill and the present section 201 of that act, and that the proposed section 201 (b) could not be construed as restricting the authority to request contract authorizations in the present section 201.

Section 2 of the Budget and Accounting Act, 1921, as amended, defines the term "appropriation" as used in that act as follows:

"The term 'appropriations' includes, *in appropriate context*, funds and authorizations to create obligations by contract in advance of appropriations, or any other authority making funds available for obligation or expenditure." [Italic supplied.]

The use of the words "in appropriate context" contained in that definition makes it clear that the term "appropriation" may mean (1) the appropriation of funds; (2) authorizations to create obligations by contract in advance of appropriations (commonly referred to as "contract authority"); or both (1) and (2). As the term "appropriation" is used in the present section 201(d), which under this bill would be section 201(a) (5), and section 203, it clearly means both appropriation of funds and contract authority. As that term is used in line 6, page 2, of the bill, however, it is used in relation to the determining of amounts of proposed appropriations on an accrued expenditure basis. As the term "appropriation" is used in that context, it can mean only the appropriation of funds. Since the language in lines 6 through 9, page 2 of the bill relates only to the appropriation of funds, it cannot be viewed as conflicting with the authority in the present section 201 to include in the budget proper requests for authorizations to create obligations in advance of appropriations. The appropriation committees of the Congress will thus have the tools to review both the complete programs for which contractual authorizations are requested or have been granted as well as the amount of funds required to meet the expenditures which will accrue in the budget year.

Moreover, it should be noted that the legislative history of this bill already has made it clear that contractual authorizations for long lead-time programs will be required when the appropriations therefor are stated on an annual accrued expenditure basis. This was pointed out in the Hoover Commission Report on Budget and Accounting.

It thus seems very clear to us that the existing authority to include requests for contract authorizations in the budget would not be abrogated by this bill and that the clarifying language suggested by the Department of Defense is unnecessary.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

During the hearings on S. 3897, the Comptroller of the Department of Defense testified that the Department wholeheartedly supports the provisions of the bill with respect to the use of: (1) cost-based budgets, (2) the accrual basis of accounting, (3) basis of synchronizing budgeting and accounting classifications, and (4) the basis of administrative subdivision of funds and other provisions of the bill.

The Comptroller, however, expressed some reservations as to the savings which would result from the adoption of the accrued expenditure basis for appropriations. The Comptroller also expressed the

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view that there would be some problems with regard to the implementation of the legislation by the Department of Defense.

Considerable testimony was developed by the committee during the course of its hearings on the bill with respect to the substantial progress being made in the Department of Defense toward sound financial management of its huge resources under title IV of the 1949 amendments to the National Security Act which was the result of the first Hoover Commission recommendations. Enactment of this bill will encourage the Department of Defense to continue to accelerate its plans for full implementation of title IV. These improvements, including continued progress in adoption of the cost-based budgets, wide utilization of accrual accounting, more realistic administrative control of funds and the synchronization of budget accounting classifications and organizational structure as well as in the other areas of Department of Defense financial management can go forward without the necessity for awaiting any change in the basis of making appropriations. As a matter of fact, these improvements must necessarily precede such a change.

CONCLUSION

It is the firm conviction of this committee that S. 3897 would provide the necessary legislative authority for major improvements in the fields of budgeting and accounting in the Federal Government, and that it conforms to those objectives and conclusions of the Hoover Commission Report on Budget and Accounting which require or would be expedited by legislative action.

Certain recommendations of the Hoover Commission which can best be accomplished administratively have been omitted from the bill. Also, those recommendations pertaining to the settlement of claims were incorporated in another bill, S. 3362, which was reported by this committee on June 7, 1956, and the recommended legislative action to provide relief of accountable officers was included in legislation enacted during the first session of the 84th Congress—Public Laws 334 and 365 approved on August 9, and 11, 1955, respectively.

This committee has been active for a number of years in promoting improved financial administration in the Federal Government and, in accord with the statutory authority, will continue to give consideration to the problems and progress in budget and accounting procedures throughout the Government. Inasmuch as the implementation of the practices and procedures provided for in S. 3897 will, according to evidence submitted at the hearings, require a period of years before full implementation of the program, it is particularly important that the committee keep in close contact with developments thereunder, should the bill be enacted into law.

In addition, the close cooperation of the Appropriations Committees of the Congress, the Bureau of the Budget, the Department of the Treasury, the General Accounting Office, and all of the agencies will be required to bring about the implementation and the advancement of the ultimate objectives of this legislation.

SECTION-BY-SECTION ANALYSIS OF S. 3897

Section 1 (a): This section is designed to implement recommendations Nos. 4, 7, and 17 of the Hoover Commission Budget and Accounting Report which provide:

(4) That the executive budget continue to be based upon functions, activities, and projects adequately supported by information on program costs and accomplishment, and by a review of performance by organizational units where these do not coincide with performance budget classifications.

(7) That the executive budget and congressional appropriations be in terms of estimated annual accrued expenditures, namely, charges for the cost of goods and services estimated to be received.

(17) That each department and agency be authorized to maintain a single account under each appropriation title or fund for controlling the amount available for the liquidation of valid obligations.

Section 201 (a) of the Budget and Accounting Act, 1921, would require the President to set forth in the budget, at such times as may be practicable, information on program costs and accomplishments. Such information should permit the Congress to give consideration to both relative size of programs and the question of economy and efficiency, as proposed in the first part of Hoover Commission Recommendation No. 4. The latter part of this recommendation is implemented by the addition of section 106 to the Budget and Accounting Procedures Act of 1950, as contained in section 2 (a) of the bill.

Section 201 (b) would require the President, to the maximum extent deemed desirable and practicable, to determine the amounts of regular, supplemental, or deficiency appropriation requests on an annual accrued expenditure basis, that is, the amounts of appropriated funds needed to pay for goods and services to be received in the fiscal year and other payments authorized by law to be made in such fiscal year from the particular appropriation. Certain appropriations, for which the annual controls contemplated by the accrued expenditure basis would obviously serve no purpose, are specifically excluded. The stating of appropriation on an annual accrued expenditure basis would vest in the Congress the determination of the level of activity during the budget year and would assure annual review by the agencies and the Congress of past and proposed performance under programs involving long lead-time contracts. This would accomplish Hoover Commission Recommendation No. 7.

Section 201 (c) vests discretion in the President as to the manner and time that requests for appropriations shall be determined on an accrual expenditure basis. The conversion could be effected over a period of time as and when systems of programing, budgeting, and accounting were deemed adequate. This conversion cannot be successfully effected until such systems are adequate.

Section 201 (d) would lapse the excess of any appropriation or fund made on an annual accrued expenditure basis over the accrued expenditures under such appropriation or fund as of the end of each fiscal year and merge the remaining balances of each such appropriation or fund with any appropriation or fund made for the same general purpose for the ensuing fiscal year as a single account. The merging of the remaining balances with the related appropriation for the ensuing fiscal year permits the use of only one account in accordance with Hoover Commission Recommendation No. 17, but only to the extent that appropriations are stated on an accured expenditure basis.

Section 1 (b): This section is designed to implement recommenda-

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tions Nos. 3 and 6 of the Hoover Commission Budget and Accounting Report which provide:

> (3) That for management purposes, cost-based operating budgets be used to determine fund allocations within the agencies, such budgets to be supplemented by periodic reports on performance.
>
> (6) That executive agency budgets be formulated and administered on a cost basis.

Section 216 (b) of the Budget and Accounting Act, 1921, would authorize the President to require the departments and agencies to develop their requests for appropriations from cost-based budgets. Section 216 (c) would require such cost-based budgets to be used by all departments and establishments and their subordinate units for purposes of administration and operation including the administrative subdivisions of appropriations or funds. Recommendations Nos. 3 and 6 eventually could be completely adopted.

Section 2 (a): This section is designed to carry out the latter part of Hoover Commission Recommendation No. 4, referred to above under section 1 (a), and recommendation No. 5, which provides:

> (5) That the agencies take further steps to synchronize their organization structures, budget classifications, and accounting systems.

Section 106 of the Budget and Accounting Procedures Act of 1950 is intended to achieve, insofar as possible, three objectives: (1) Consistency in accounting and budget classifications; (2) synchronization between such accounting and budget classifications and organizational structure; and (3) support of the executive budget by information on performance and program costs by organizational units. Information would thus be available to the Congress for review of performance and program costs of each organizational unit including those which do not coincide with performance budget classifications. Objectives (1) and (2) are included in Hoover Commission Recommendation No. 5 and objective (3) in the latter part of recommendation No. 4.

Section 2 (b): This section is designed to implement recommendations Nos. 14 and 16 which provide:

> (14) That Government accounts be kept on the accrual basis to show currently, completely and clearly all resources and liabilities, and the costs of operations. Furthermore, agency budgeting and financial reporting should be developed from such accrual accounting.
>
> (16) That the executive agencies accelerate the installation of adequate monetary property accounting records as an integral part of their accounting systems.

Section 113 (c) of the Budget and Accounting Procedures Act of 1950 would require the head of each executive agency, as soon as practicable, to cause the accounts of such agency to be maintained on an accrual basis and to maintain adequate monetary property accounting records as an integral part of the accounting system. Only when this done would it be possible for management or the Congress to determine at any given time the fiscal status of such agency, as contemplated by recommendations Nos. 14 and 16.

Section 2 (c): This section amends the definition of the term "executive agency" in section 118 of the Budget and Accounting Procedures Act of 1950 to include the Post Office Department within the meaning of that term as used in section 113 (c) of that act.

Section 3: This section merely states legislatively recommendation No. 13 which provides:

> (13) That the allotment system be greatly simplified. As an objective each operating unit should be financed from a single allotment for each appropriation involved in its operations.

The making of numerous allotments which are further divided and suballotted to lower levels leads to much confusion and inflexibility in the financial control of appropriations or funds as well as numerous minor violations of section 3679, Revised Statutes, as amended (the Anti-Deficiency Act).

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, which is in existing law made by the bill S. 3897, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new material is printed in italics, existing law in which no change is proposed is shown in roman):

BUDGET AND ACCOUNTING ACT, 1921, AS AMENDED BY THE BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950

* * * * * * *

SEC. 201. (*a*) The President shall transmit to Congress, during the first fifteen days of each regular session, the Budget, which shall set forth his Budget message, summary data, and text, and supporting detail. The Budget shall set forth in such form and detail as the President may determine—

[a] (*1*) functions and activities of the Government;

(*2*) *at such times as may be practicable, information on program costs and accomplishments;*

[b] (*3*) any other desirable classifications of data;

[c] (*4*) a reconciliation of the summary data on expenditures with proposed appropriations;

[d] (*5*) estimated expenditures and proposed appropriations necessary in his judgment for the support of the Government for the ensuing fiscal year, except that estimated expenditures and proposed appropriations for such year for the legislative branch of the Government and the Supreme Court of the United States shall be transmitted to the President on or before October 15 of each year, and shall be included by him in the Budget without revision;

[e] (*6*) estimated receipts of the Government during the ensuing fiscal year, under (1) laws existing at the time the Budget is transmitted and also (2) under the revenue proposals, if any, contained in the Budget;

[f] (*7*) actual appropriations, expenditures, and receipts of the Government during the last completed fiscal year;

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[g] (*8*) estimated expenditures and receipts, and actual or proposed appropriations of the Government during the fiscal year in progress;

[h] (*9*) balanced statements of (1) the condition of the Treasury at the end of the last completed fiscal year, (2) the estimated condition of the Treasury at the end of the fiscal year in progress, and (3) the estimated condition of the Treasury at the end of the ensuing fiscal year if the financial proposals contained in the Budget are adopted;

[i] (*10*) all essential facts regarding the bonded and other indebtedness of the Government; and

[j] (*11*) such other financial statements and data as in his opinion are necessary or desirable in order to make known in all practicable detail the financial condition of the Government.

(*b*) *The amounts of proposed appropriations referred to in sections 201 (a) and 203 of this Act shall, to the maximum extent deemed desirable and practicable by the President, be determined on an annual accrued expenditure basis.*

"Annual accrued expenditures" shall relate to goods and services to be received in a fiscal year, advance payments, progress payments, and such other payments as are authorized by law to be made in such fiscal year.

This subsection shall not apply to appropriations made specifically for the payment of claims certified by the Comptroller General and of judgments; appropriations for the refund of Federal taxes and of other moneys erroneously received and covered into the Treasury of the United States; appropriations made by private relief Acts of Congress; appropriations for the payment of interest on trust funds; revolving funds or appropriations thereto; appropriations for the payment to former members of the armed forces, their dependents and beneficiaries, of any benefits to which they are entitled by reason of military service; appropriations for the payment of pensions and annuities; appropriations for the payment of any obligation of the United States for which liability is fixed by treaty; and other appropriations or funds analogous to the foregoing.

(*c*) *The conversion to the use of annual accrued expenditures for stating proposed appropriations in accordance with section 201 (b) of this Act shall be accomplished in such manner and at such times as may be determined by the President.*

(*d*) *As of the end of each fiscal year, the excess of any appropriation or fund made on an annual accrued expenditure basis over the accrued expenditures under such appropriation or fund shall lapse, unless thereafter provided otherwise in an appropriation act or other law. Any remaining balances of each such appropriation or fund shall be merged with any appropriation or fund made for the same general purpose for the ensuing fiscal year and shall constitute a single account.*

SEC. 216. (*a*) Requests for regular, supplemental, or deficiency appropriations which are submitted to the Bureau by the head of any department or establishment shall be prepared and submitted as the President may determine in accordance with the provisions of section 201.

(*b*) *The requests of the departments and establishments for appropriations shall, in such manner and at such times as may be determined by the President, be developed from cost-based budgets.*

(*c*) *For purposes of administration and operation, such cost-based budgets shall be used by all departments and establishments and their*

subordinate units. Administrative subdivisions of appropriations or funds shall be made on the basis of such cost-based budgets.

BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950

ACCOUNTING AND BUDGET CLASSIFICATIONS

SEC. 106. The head of each executive agency shall, in consultation with the Director of the Bureau of the Budget, take whatever action may be necessary to achieve, insofar as is possible, (1) consistency in accounting and budget classifications, (2) synchronization between accounting and budget classifications and organizational structure, and (3) support of the budget justifications by information on performance and program costs by organizational units.

SEC. 113. (a) The head of each executive agency shall establish and maintain systems of accounting and internal control designed to provide—

(1) full disclosure of the financial results of the agency's activities;

(2) adequate financial information needed for the agency's management purposes;

(3) effective control over and accountability for all funds, property, and other assets for which the agency is responsible, including appropriate internal audit;

(4) reliable accounting results to serve as the basis for preparation and support of the agency's budget requests, for controlling the execution of its budget, and for providing financial information required by the Bureau of the Budget under section 213 of the Budget and Accounting Act, 1921 (42 Stat. 23);

(5) suitable integration of the accounting of the agency with the accounting of the Treasury Department in connection with the central accounting and reporting responsibilities imposed on the Secretary of the Treasury by section 114 of this part.

(b) The accounting systems of executive agencies shall conform to the principles, standards, and related requirements prescribed by the Comptroller General pursuant to section 112 (a) of this part.

(c) *As soon as practicable after the date of enactment of this subsection, the head of each executive agency shall, in accordance with principles and standards prescribed by the Comptroller General, cause the accounts of such agency to be maintained on an accrual basis to show the resources, liabilities, and costs of operations of such agency with a view to facilitating the preparation of cost-based budgets as required by section 216 of the Budget and Accounting Act, 1921, as amended. The accounting system required by this subsection shall include adequate monetary property accounting records as an integral part of the system.*

SEC. 118. As used in this part, the term "executive agency" means any executive department or independent establishment in the executive branch of the Government but (a) except for the purposes of sections 114, 116, and 119 shall not include any Government corporation or agency subject to the Government Corporation Control Act (59 Stat. 597), and (b) except for the purposes of sections 111, *113* (c), 114, and 116 shall not include the Post Office Department.

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SECTION 3679, REVISED STATUTES (ANTI-DEFICIENCY ACT)

(g) Any appropriation which is apportioned or reapportioned pursuant to this section may be divided and subdivided administratively within the limits of such apportionments or reapportionments. The officer having administrative control of any such appropriation available to the legislative branch, the judiciary, or the District of Columbia, and the head of each agency, subject to the approval of the Director of the Bureau of the Budget, shall prescribe, by regulation, a system of administrative control (not inconsistent with any accounting procedures prescribed by or pursuant to law) which shall be designed to (A) restrict obligations or expenditures against each appropriation to the amount of apportionments or reapportionments made for each such appropriation, and (B) enable such officer or agency head to fix responsibility for the creation of any obligation or the making of any expenditure in excess of an apportionment or reapportionment. *In order to have a simplified system for the administrative subdivision of appropriations or funds, each agency shall work toward the objective of financing each operating unit, at the highest practical level, from not more than one administrative subdivision for each appropriation or fund affecting such unit.*

○

Calendar No. 2287

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2266

SIMPLIFYING ACCOUNTING, FACILITATING THE PAYMENT OF OBLIGATIONS

JUNE 19, 1956.—Ordered to be printed

Mr. KENNEDY, from the Committee on Government Operations, submitted the following

REPORT

[To accompany S. 3362]

The Committee on Government Operations to whom was referred the bill (S. 3362) to simplify accounting, facilitate the payment of obligations, and for other purposes, having considered the same, report favorably thereon, with amendments, and recommend that the bill as amended do pass.

The amendments are as follows:

1. Page 1, line 3, strike out "except as otherwise provided by law,".
2. Page 1, line 4, strike out "of" and insert in lieu thereof "for".
3. Page 1, line 8, strike out "activity" and insert in lieu thereof "agency or subdivision thereof".
4. Page 2, line 6, strike out the period and insert in lieu thereof a colon and the following:

> *Provided*, That when it is determined necessary by the head of the agency concerned that a portion of the remaining balance withdrawn is required to liquidate obligations and effect adjustments, such portion of the remaining balance may be restored to the appropriate account established pursuant to this Act: *Provided further*, That the head of the agency concerned shall make a report with respect to each such restoration to the Chairmen of the Committees on Appropriations of the Senate and the House of Representatives, to the Comptroller General of the United States, and to the Director of the Bureau of the Budget.

5. Page 2, line 20, after the word "account", insert "as of the close of the fiscal year".

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6. Page 2, lines 22 and 23, strike out "as of the close of the fiscal year".

7. Page 3, line 10, strike out "required" and insert in lieu thereof "made".

8. Page 3, line 11, strike out "subsection (a)" and insert in lieu thereof "subsections (a) and (b)".

9. Page 4, lines 7 and 8, strike out "activity responsible for the liquidation of the obligations chargeable to such accounts" and insert in lieu thereof "agency concerned".

10. Page 4, line 13, strike out "shall" and insert in lieu thereof "may".

11. Page 6, line 9, strike out "activity" and insert in lieu thereof "agency or subdivision thereof".

12. Page 6, line 16, strike out "or will not be undertaken or continued".

13. Page 7, between lines 15 and 16, add a new subsection to read:

> (f) Any provisions (except those contained in appropriation Acts for the fiscal years 1956 and 1957) permitting an appropriation to remain available for expenditure for any period beyond that for which it is available for obligation, but this subsection shall not be effective until June 30, 1957.

14. Page 7, line 17, strike out the period and insert in lieu thereof:

> or to the appropriations disbursed by the Secretary of the Senate or the Clerk of the House of Representatives.

15. Page 7, following line 17, add a new section to read:

> SEC. 9. The inclusion in appropriation Acts of provisions excepting any appropriation or appropriations from the operation of the provisions of this Act and fixing the period for which such appropriation or appropriations shall remain available for expenditure is hereby authorized.

COMMITTEE ACTION ON AMENDMENTS

The amendments adopted by the committee are in accord with the recommendations made by agency representatives during the hearings on this bill. For the most part the changes accepted by the committee are editorial or of a clarifying nature intended to more fully reflect the purpose and intent of the bill.

Amendment No. 4 which begins on page 2, line 6 was developed by the Bureau of the Budget and the Department of Defense for the purpose of providing more flexibility in the accounting for funds. The long lead time required for procurement of certain types of supplies, and in certain instances, price redetermination and escalation clauses in contracts compel the departments to make adjustments in the obligated balances. For this reason the Department of Defense believed that an amendment is necessary to restore that portion of account balances as is necessary to liquidate delayed bills. The committee accepted this proposal, but insisted that such restorations be held to a minimum and, to assure that the authority not be abused, the committee added a further proviso to the amendment requiring each agency to report each restoration to the chairmen of the Committees on Appropriations of the Senate and House of Representatives, to the Comptroller General and to the Director of the Bureau of the Budget.

The committee approved an amendment adding a new paragraph (f) to section 7 of the bill. This amendment was developed by the Bureau of the Budget for the purpose of repealing certain laws which make some appropriations available for expenditure purposes for periods longer than the normal 2-year period after the period for which the appropriation was made.

At the present time there are some cases where existing provisions of substantive law continue the availability of appropriations for expenditure purposes for periods longer than the normal 2-year period after the period for which the appropriations are made. It is desirable, therefore, to bring such appropriations under the provisions of this bill in order to provide the authority to make payments subsequently. An example is the provision for certain research appropriations in the Agricultural Marketing Act of 1946. The language which the committee has approved for deletion by amendment No. 1 would exempt such cases from the provisions of the bill, whereas the substitute (amendment No. 13) would embrace such cases within the terms of the bill by repealing the special provisions providing extended availability for expenditure. Like the provision repealing the general authorization for extended availability for expenditure (subsec. (b) of sec. 7), the suggested language would not be effective until June 30, 1957. Also, the new language would not repeal provisions for extended expenditure availability contained in 1956 or 1957 appropriation acts, but would leave the matter of extended expenditure availability for appropriations to be considered individually by the Congress in acting on the 1958 budget estimates and appropriation acts.

The amendment to section 8 provides for exempting from the provisions of this bill appropriations disbursed by the Secretary of the Senate and the Clerk of the House of Representatives.

A new section 9, adopted by the committee, provides that the Congress may consider each year the desirability of exempting any appropriation or appropriations from the provisions of this bill and to so provide in appropriation acts without such provisions being subject to a point of order.

GENERAL STATEMENT

Under present law (31 U. S. C. 712b), unexpended balances of appropriations with limited fiscal year availability "lapse" or cease to be available to the agencies to which they are provided, at the end of two full fiscal years following the fiscal year or years for which appropriated. At that time, such balances are transferred to a consolidated Treasury Department appropriation account known as "Payment of certified claims."

Bills of creditors which have not been paid before the appropriations chargeable therewith have lapsed are liquidated from the "Payment of certified claims" account. However, as prerequisites to payment, the Comptroller General of the United States must certify that the bills are lawfully due; that they are chargeable to appropriations which have lapsed; and that the balances of the appropriations against which the obligations were originally incurred are sufficient to make such payments.

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Since the agencies which procured the goods and services for which payment is sought are acquainted with the attendant facts and circumstances, it is necessary for the General Accounting Office to secure from such agencies reports bearing on the validity of the obligations, the appropriations involved, and the amounts recommended for payment, if any. Where the transactions are routine undisputed bills, as is generally the case, the settlement processes of the General Accounting Office necessarily duplicate the work already performed by the debtor agencies and delay the payment of the Government's obligations without any substantial added protection to the Government.

The bill authorizes the agencies of the Government to pay undisputed bills chargeable to lapsed appropriations in precisely the same manner as bills payable from currently available appropriations. This objective will be accomplished by repealing existing requirements that all obligations chargeable to lapsed appropriations shall be certified by the General Accounting Office in advance of payment; by permitting agencies to retain obligated balances of appropriations made to them; and by granting, under regulations to be prescribed by the Comptroller General, authority to the agencies to pay prior year obligations from the retained balances through regular disbursing channels, subject of course to post audit by the General Accounting Office.

When S. 3362 is enacted, it is estimated that from 40,000 to 50,000 cases a year which now are required to be processed by the General Accounting Office can be paid directly by the agencies. As a result, claims adjudicators and supporting personnel of the General Accounting Office now engaged in such work will be available for assignment to more productive work. Paperwork and time lags will be substantially reduced. In addition, the General Accounting Office will be able to discontinue the maintenance of approximately 35,000 detailed ledgers of account pertaining to lapsed appropriations. It is anticipated that enactment of the bill will result eventually in direct savings in the General Accounting Office approximating $600,000 annually. Savings will also be effected in the agencies concerned.

The bill will not affect the responsibility of the General Accounting Office to adjudicate claims involving doubtful questions of law or fact. Such claims will continue to be sent to the General Accounting Office for settlement.

The proposed legislation will reduce the carryover of unexpended balances in appropriations. At present, the entire balance of each annual appropriation is carried in the account of the agency for 2 years after the appropriation has ceased to be available for obligation. Under the provisions of S. 3362, the obligated balance of an appropriation will be transferred to an appropriation account consisting of the obligated balances of all prior appropriations granted for the same general purposes. The unobligated balance will be withdrawn. These transfers will be based on reports of obligated balances which all agencies are now required to make under the provisions of section 1311 of the Supplemental Appropriation Act, 1955.

The bill recognizes that due to events which may occur after the reporting date, it is not always possible to report obligated balances of appropriations with precise accuracy. In consequence, amounts ultimately required for liquidation of obligations may fluctuate. The bill provides for this contingency by permitting agencies to utilize savings resulting when obligations are liquidated at less than the

reported obligations to offset extra costs occasioned by underestimating obligations; by authorizing agencies to draw on currently available appropriations when necessary to meet obligations against prior years' appropriations; and by permitting restoration of amounts withdrawn from the appropriations as unobligated, when determined necessary by the head of the agency concerned to meet obligations made in prior years. The committee is of the opinion that the provision permitting restoration of amounts previously withdrawn will seldom, if ever, be invoked. However, in the event it is invoked, the bill provides that a complete report of each such restoration must be made to the chairmen of the Committees on Appropriations of the Senate and House of Representatives, the Comptroller General of the United States, and the Director of the Bureau of the Budget. These features of the bill should afford sufficient latitude to the agencies to effect payments to creditors without undue delay.

An additional benefit will be afforded by the bill. At present, liquidations of outstanding obligations against lapsed appropriations are budgeted and recorded as expenditures of the Treasury Department rather than of the agencies which received the goods and services. This procedure overstates the expenditures of the Treasury Department and understates the expenditures of the agencies which incurred the obligations by millions of dollars each year. Under S. 3362 such expenditures will be recorded and reported as expenditures of the individual agencies which received the goods or services.

HOOVER COMMISSION

The Hoover Commission and its task force recommended in its report on budget and accounting that the various agencies of the Government be authorized to settle delayed-bills without prior approval of the General Accounting Office and that one account be established for controlling the amount available for liquidation of valid obligations.

The Hoover Commission's recommendation follows:

> That each department and agency be authorized to maintain a single account under each appropriation title or fund for controlling the amount available for the liquidation of valid obligations. (Recommendation No. 17.)

The Commission further stated that—

> All agency disbursements must be related to a legal appropriation. Where the appropriations are annual appropriations (as distinguished from no-year appropriations) the agencies are authorized to make payments therefrom during the fiscal year for which appropriated or during the succeeding 2 fiscal years. This results in keeping separate accounts for appropriations, allotments, suballotments, obligations and related cash payments for each of 3 years. The effect is an unnecessary complication in the accounting for disbursements in executive agencies and in the separate accounts maintained at the Treasury.
>
> The agencies should be authorized to merge the balance of unliquidated obligations under any one appropriation title with the latest annual appropriation under that same title.

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> Annual appropriations which are not obligated within the appropriation year cease to be available and at the end of such year would be eliminated. The remaining balances should be available for liquidation of legal liabilities until expended or written off.

At the present time vouchers which are submitted to the respective agencies for payment after the appropriations have lapsed are referred to the General Accounting Office for review and clearance before submission to the Treasury Department. These vouchers are commonly referred to as "claims"; however, they are not a "claim" as that term is generally used in the legal profession, but merely bills which were submitted for payment after the appropriation has lapsed.

The Hoover Commission considered this procedure of handling so-called claims or delayed bills and made the following recommendation:

> That vouchers which are otherwise valid but as to which appropriations have lapsed should not be referred as "claims" to the General Accounting Office, but should be settled within the agencies. (Recommendation No. 18.)

Section 305 of the Budget and Accounting Act of 1921 provides: All claims and demands whatever by the Government of the United States or against it, * * * shall be settled and adjusted in the General Accounting Office.

There are some exceptions. These include the Internal Revenue Service for income tax matters; the Railroad Retirement Board for pension claims; the Social Security Administration for old-age and survivor insurance claims; and the Veterans' Administration for benefit payments. Otherwise, "claims" made against an executive agency are reviewed by the agency concerned and then submitted to the General Accounting Office for settlement. Where the claim relates to an open appropriation it is, if approved by the General Accounting Office, returned to the executive agency for payment. Requests for payment under lapsed appropriations are currently designated as "claims" and hence are referred to the General Accounting Office. Such claims are, if approved by the General Accounting Office, recorded in the records of that Office. They are then referred to the Treasury Department for payment from the "payment of certified claims" account.

During 1954, 38,000 of the claims received by the General Accounting Office related to lapsed appropriations. Approximately 28,000 of them did not involve any doubtful or complex matter. It is apparent that under existing procedure the General Accounting Office is engaged in examining and settling as "claims" many requests for payment which are routine and involve no questions of law or fact. Substantial economies would be obtained if the agencies were authorized to make direct settlement of claims without their prior submission to the General Accounting Office, except in those cases involving questions of law or fact. If this were done, unexpended balances of closed appropriations which are nor-

mally transferred to the "payment of certified claims" account maintained at the Treasury Department would be retained in the agencies. Agency procedures in settling claims would, of course, be subject to review and audit by the General Accounting Office.

S. 3362 will substantially carry out the objectives of these recommendations. The only essential difference is that obligated balances for prior years would be consolidated in separate accounts for the same general purposes rather than brought forward and merged with the current appropriation accounts of the agencies. If the prior-year obligations were merged with the current appropriations, any savings resulting from liquidation of obligations would be available to augment the current year appropriation. The committee feels it is preferable to retain these unliquidated obligations in separate accounts so that such savings cannot be used to augment the current appropriation.

The bill, as reported, has been approved by the Bureau of the Budget, the Secretary of the Treasury, the Comptroller General of the United States, and the Department of Defense.

SECTION-BY-SECTION ANALYSIS

Section 1

Subsection (a) provides that each appropriation available for obligation for a definite time period—annual and multiyear appropriations—shall, after the expiration of its obligational availability, be disposed of as follows: The obligated balance shall be transferred to an appropriation account consisting of the obligated balances of all appropriations granted for the same general purposes. The unobligated balance shall be withdrawn and shall revert to the general fund of the Treasury, unless the appropriation is derived in its entirety from a special or trust fund in which event it shall revert to the fund from which derived. The effect of this is to combine, in a single appropriation account of the agency or subdivision thereof responsible for the liquidation of liabilities, the obligated balances of all appropriations for the same general purposes. For example, the obligated balances of all appropriations for "Salaries and expenses, Forest Service," except the one currently available for obligation, would be merged in one account. The subsection also authorizes the restoration of amounts withdrawn when determined necessary by the head of the agency concerned and requires that such restorations be reported to the chairmen of the Committees on Appropriations of the Senate and House of Representatives, the Comptroller General of the United States, and the Director of the Bureau of the Budget.

Subsection (b) contemplates that if enacted by June 30, 1956, annual and multiyear appropriations for 1956 and subsequent years will be disposed of not later than September 30 of the fiscal year following that in which the period of obligation expires. Appropriations expiring in 1954 and 1955 would be disposed of not later than September 30, 1956, along with appropriations for the fiscal year 1956. Obligated balances of appropriations for fiscal years prior to 1954 would be merged in the new accounts under the provisions of section 4. (If enacted later than June 30, 1956, the dates used here would be changed accordingly.)

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Subsection (c) provides that the amount transferred to the appropriation account shall not exceed the net obligated balances as shown on reports made under section 1311 of the Supplemental Appropriation Act, 1955, and that receipts authorized to be credited to an appropriation which are not received until after such appropriation has expired for obligation will be credited to the appropriation account to which the obligated balance has been, or will be transferred. Discretionary authority is conferred on the General Accounting Office to deposit collections made for other agencies into miscellaneous receipts.

Subsection (d) contemplates on a permanent basis that transfers and withdrawals made not later than September 30 of the fiscal year following the fiscal year in which the appropriations expire for obligation will be accounted for and reported as of the fiscal year in which the appropriations expire for obligation. Appropriations which have expired for obligation prior to the time this bill becomes law but which are still available for expenditure will be transferred and withdrawn as of the fiscal year (1956) in which the bill is approved.

Section 2

This section authorizes the appropriation accounts established pursuant to the act to be used for payment of obligations chargeable against any of the appropriations from which such accounts were derived. The accounts are to be available without fiscal year limitation, and subject to regulations to be prescribed by the Comptroller General of the United States, payment of the obligations may be made through regular disbursing channels without prior action by the General Accounting Office. It will not be necessary to relate payments from the merged accounts to the specific balances of appropriations transferred to the account. It is further provided, however, that nothing in the act shall be construed to relieve the Comptroller General of his duty to render decisions upon requests made pursuant to law, nor to abridge the existing authority of the General Accounting Office to settle and adjust claims, demands, and accounts. The agencies will be enabled under the act to pay claims which have heretofore been settled by the General Accounting Office solely because they were payable from lapsed appropriations. The subsection will otherwise preserve the jurisdiction of the General Accounting Office, and the Comptroller General will be able to require that any particular claim or classes of claims, such as doubtful claims or claims received in the administrative office more than a specific number of years after the claim first accrued, be paid only after settlement in the General Accounting Office whenever he deems such action desirable.

Section 3

Subsection (a) provides for periodic reviews of the accounts established pursuant to the Act by the agencies concerned. When such reviews disclose that the undisbursed balance exceeds the obligated balance, the amount of the excess shall revert, as the case may be, to the general, special, or trust fund from which derived, but if it is found on review that the obligated balance exceeds the undisbursed balance, the amount necessary to supply the deficiency may be transferred from the account currently available for the same general purposes. Such reviews, together with the transfers and withdrawals found to be necessary, shall be accomplished at least annually at the end of the year. Action taken pursuant to reviews made as of the close of the fiscal year

must be completed by September 30 of the following fiscal year and ransfers or withdrawals accounted for and reported as of the close of the fiscal year to which the year-end review pertains. Transfers and withdrawals made pursuant to reviews made at other than the close of the fiscal year shall be accounted for and reported as transactions of the fiscal year in which accomplished.

Subsection (b) authorizes transfers from the appropriation currently available for the same general purposes whenever there are insufficient funds in the account to pay an obligation. When the deficiency is caused by failure to collect receivables, the amount may be returned to the current appropriation when the receivables are collected. This provision is made in order that an agency may promptly pay obligations. Action under this subsection would be based upon a comparison of the undisbursed balances with the amount of vouchers ready for payment, and differs from subsection (a), which contemplates transfer action after a comparison of undisbursed balances with net obligated balances (obligations outstanding less receivables).

Subsection (c) contemplates reviews by the Comptroller General of operations under the act. Such reviews will include appraisal of the unliquidated obligations under the appropriation accounts established thereunder and the Comptroller General's findings will be reported to the head of the agency concerned, to the Secretary of the Treasury, and to the Director of the Bureau of the Budget. Within 30 days following receipt of the Comptroller General's report, the agency head is required to accomplish the transfers or withdrawals which the report indicates are necessary, if such transfers or withdrawals have not already been made.

Section 4

This section provides that not later than the fiscal year following that in which the act becomes effective, and under rules and regulations prescribed by the Comptroller General, the unexpended balance of the appropriation account for payment of certified claims established pursuant to section 2 of the act of July 6, 1949 (31 U. S. C. 712b), shall be disposed of in the same manner as the balances of appropriations available for obligation for a definite period of time. This will permit payment, under the procedures established by this act, and from the accounts established under this act, of claims arising under appropriations for fiscal years prior to 1954, the first year to be covered by this act.

Section 5

This section authorizes the transfer of amounts pursuant to section 1 of the act from nonrecurring or discontinued fiscal year appropriations to one or more appropriation accounts at the discretion of the head of the agency concerned. An example of the type of annual appropriation covered by this section would be "Salaries and expenses, Civil Aeronautics Administration" for the fiscal year 1955, which was eliminated in the fiscal year 1956 as a result of realinement of the agency's appropriation structure. It is contemplated that such mergers would follow generally the budget presentation; that is, where a discontinued title is merged with a new title in the budget, the account would similarly be merged; where a discontinued title is merged with

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another discontinued title in the budget, the accounting practice would follow accordingly.

Section 6

This section authorizes the withdrawal or reversion, as the case may be, of unobligated balances of no-year appropriations whenever the head of the agency concerned shall determine that the purpose for which the appropriation was made has been fulfilled or, in any event, whenever disbursements have not been made against the appropriation for 2 consecutive fiscal years. Authority is granted for the restoration of any amounts heretofore or hereafter withdrawn for the payment of obligations and the settlement of accounts, but it is contemplated that restorations would not be needed frequently.

Section 7

This section provides for the repeal of certain provisions of law which no longer will be necessary because of the enactment of this act. These are:

(a) The proviso under the heading "Payment of Certified Claims" in the act of April 25, 1945 (59 Stat. 90 (31 U. S. C. 690)). This provides that collections otherwise to be deposited to the credit of a lapsed appropriation shall be deposited into the Treasury as miscellaneous receipts. Under the procedure proposed in the bill, such collections will be deposited to the credit of the appropriation account which has received the balance of the appropriation to which the collection would otherwise be credited.

(b) Section 2 of the act of July 6, 1949 (63 Stat. 407 (31 U. S. C. 712b)). This section established the consolidated appropriation account for "Payment of certified claims." The consolidated appropriation accounts established pursuant to this act will be available for payment of claims for which this account was established. However, in order to permit final settlement of claims now in process under existing procedures, this repeal would not be effective until June 30, 1957. On or before that date, the balance in the existing consolidated account will be transferred to the accounts established under this act.

(c) The paragraph under the heading "Payment of Certified Claims" in the act of June 30, 1949 (63 Stat. 358 (31 U. S. C. 712c)). This paragraph provides a permanent appropriation for payment of claims (not to exceed $500 in any one case) which would otherwise be chargeable to lapsed appropriations. The need for this appropriation was eliminated by the act of July 6, 1949 (63 Stat. 407 (31 U. S. C. 712b)), and the appropriation will not be used under the procedures established by this act.

(d) Section 5 of the act of March 3, 1875 (18 Stat. 418 (31 U. S. C. 713a)). This provision authorizes the Secretary of the Treasury to make certain entries on the books of the Department to effect settlement of accounts of disbursing officers involving appropriations carried to the "surplus fund." The accounts established by this act will hereafter be available without fiscal year limitation for such purposes.

(e) Section 3691 of the Revised Statutes, as amended (31 U. S. C. 715). This provision permits balances of appropriations which have remained on the books of the Treasury without being drawn against for 2 years to be closed if it appears that the balance will not be required in the settlement of any accounts pending in the General

Accounting Office. This section is superseded by section 6 of this act.

(f) This subsection, effective June 30, 1957, repeals any provision of law making an appropriation available for expenditure for any period beyond that for which it is available for obligation, except those contained in appropriation acts for the fiscal years 1956 and 1957. Thus, in the absence of any exceptions in the appropriation acts for the fiscal years 1956 and 1957 or in provisions of law hereafter enacted, all appropriations available for obligation for a definite period of time after June 30, 1957, shall expire for expenditure purposes at the same time they expire for obligation purposes and subsequent expenditures will be made from the accounts established pursuant to this act.

Section 8

This section excludes the District of Columbia from the provisions of this act, as well as appropriations disbursed by the Secretary of the Senate and the Clerk of the House of Representatives.

Section 9

This section authorizes the inclusion in appropriation acts of provisions excepting any appropriation or appropriations from the operation of the provisions of this act and the fixing of the period for which such appropriation or appropriations shall remain available for expenditure.

AGENCY COMMENTS

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., March 16, 1956.

Hon. JOHN F. KENNEDY,
Chairman, Subcommittee on Reorganization,
Committee on Government Operations,
United States Senate, Washington 25, D. C.

MY DEAR MR. CHAIRMAN: In response to conversations which staff of the Bureau have had with staff of your committee, we are submitting views and comments on S. 3362, a bill to simplify accounting, facilitate the payment of obligations, and for other purposes.

This bill would substantially carry out the objectives of recommendations Nos. 17 and 18 of the Commission on Organization of the Executive Branch of the Government in its report on budget and accounting.

We heartily endorse the objectives of the bill which would bring about improvements and simplifications in accounting and in the procedure for the payment of obligations against expired appropriations. More specifically, some of the major benefits which would result from the bill are as follows:

1. At the present time accounts payable relating to obligations incurred under appropriations which expired for obligation purposes more than 2 years earlier are examined both by the agency concerned and by the General Accounting Office before payment is made. The bill would authorize the Comptroller General to prescribe by regulations the conditions under which such payments may be made without prior review by the General Accounting Office. This would bring about savings by eliminating the duplicate review. Also payments could be made more promptly.

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2. The entire balance of each appropriation (both the obligated and the unobligated portion) is now carried in the accounts of the agencies for 2 years after the appropriation expires for obligation purposes. Under the bill the unobligated balances remaining at the close of each fiscal year would be withdrawn from expired appropriations within 3 months thereafter, thus reducing the carryover of unexpended balances.

3. Individual appropriation accounts are now kept by the agencies on a formal basis for 2 years after the appropriations expire for obligation purposes and thereafter for at least 8 more years on a memorandum basis. In addition, after 2 years, the General Accounting Office maintains the individual appropriation accounts in order to see that there are available appropriation balances before claims are certified for payment. This bill would bring about a large reduction in the number of accounts to be maintained both by the agencies and by the General Accounting Office. Under its provisions the obligated balances of expired accounts for prior years for the same general purposes would be merged so that usually each current year appropriation account would have a counterpart for prior year items. For the General Accounting Office alone, it is estimated that about 35,000 accounts could be eliminated.

4. Under present practices payments made from appropriations which have expired for obligation purposes for more than 2 years are charged as expenditures to the certified claims account maintained by the Treasury Department. The result is that such expenditures are reported as expenditures of the Treasury Department although the benefits were received by other agencies. Thus several hundred millions of dollars are budgeted and reported as a cost of the function of General Government when actually a large part of this amount is for major national security and other functions. The bill would correct this situation. Expenditures would be recorded and reported by the individual agencies and for the functions which received the benefits.

5. The bill provides that the Comptroller General shall, in connection with his audit responsibilities, make an appraisal of the unliquidated obligations. This emphasizes the importance of the independent review by the Comptroller General in order to verify the accuracy of the accounts.

In the interests of clarifying and otherwise improving the bill, we would suggest consideration of the following amendments:

1. Delete the words "except as otherwise provided by law" on page 1, line 3, and in lieu thereof add the following new paragraph to the repeals on page 7, section 7:

"(f) Any provisions (except those contained in appropriation acts for the fiscal years 1956 and 1957) permitting an appropriation to remain available for expenditure for any period beyond that for which it is available for obligation, but this subsection shall not be effective until June 30, 1957."

At the present time there are some cases where existing provisions of substantive law continue the availability of appropriations for expenditure purposes for periods longer than the normal 2-year period after the period for which the appropriations are made. It is desirable, therefore, to bring such appropriations under the provisions of this bill in order to provide the authority to make payments subsequently. An example is the provision for certain research appropri-

ations in the Agricultural Marketing Act of 1946. The language, which we suggest for deletion above, would exempt such cases from the provisions of the bill whereas the substitute would embrace such cases within the terms of the bill by repealing the special provisions providing extended availability for expenditure. Like the provision repealing the general authorization for extended availability for expenditure (subsec. (b) of sec. 7), the suggested language would not be effective until June 30, 1957. However, the suggested language would not repeal provisions for extended expenditure availability contained in 1956 or 1957 appropriation acts, but would leave the matter of extended expenditure availability for these appropriations to be considered individually in acting on 1958 budget estimates and appropriation acts.

2. Delete the word "activity" on page 1, line 8, and substitute "agency or subdivision thereof." We believe the substitute would clarify the meaning.

3. On page 2, lines 22 and 23, delete the words "as of the close of the fiscal year" and insert the same words after the word "account" on page 2, line 20. This change would clarify the point that the reviews of the accounting records required by section 1311 and the related reports pertain only to the obligated balance as of the close of the fiscal year.

4. Delete the words "required pursuant to subsection (a)" on page 3, lines 10 and 11, and substitute "made pursuant to subsections (a) and (b)." This would make it clear that September 30 is intended as the final closing date for action to be taken under section 1 (d).

5. Delete the words "activity responsible for the liquidation of the obligations chargeable to such accounts" on page 4, lines 7 and 8, and substitute "agency concerned." We believe "agency" would be more meaningful than "activity" and that the remainder of the clause is not necessary.

6. Delete the word "activity" on page 6, line 9, and substitute "agency or subdivision thereof" for the reason noted in 2 above.

7. Delete the words "or will not be undertaken or continued" on page 6, lines 16 and 17. These words might carry the implication that the heads of the agency concerned could determine whether or not to carry out work specifically authorized by the Congress.

8. On page 7, add the following new section:

"SEC. 9. The inclusion in appropriation acts of provisions excepting any appropriation or appropriations from the operation of the provisions of this Act and fixing the period for which such appropriation or appropriations shall remain available for expenditure is hereby authorized."

This new section provides that the Congress may consider each year the desirability of exempting any appropriation or appropriations from the provisions of this bill and so provide in appropriation acts without such provisions being subject to a point of order.

The amendments suggested above have been discussed with staff of the Treasury Department and the General Accounting Office, who concur therein. With these amendments, we strongly recommend the enactment of S. 3362, which would improve fiscal operations and bring about economies.

Sincerely yours,

PERCIVAL BRUNDAGE,
Acting Director.

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TREASURY DEPARTMENT,
Washington, March 19, 1956.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Government Operations,
United States Senate, Washington 25, D. C.

MY DEAR MR. CHAIRMAN: Reference is made to your letter requesting the views of the Treasury Department on S. 2678, a bill relating to the payment of certain claims against the Government where the appropriations therefor have lapsed.

S. 2678 is intended to implement recommendation No. 18 of the Report on Budget and Accounting of the Commission on Organization of the Executive Branch of the Government, and would permit payment by any executive department or agency of a claim against it with respect to which the appropriation therefor has lapsed, without prior review and settlement by the General Accounting Office. The Treasury Department is very much in accord with the objectives of this bill, but would like to see provision made also for certain related accounting procedures. The Bureau of the Budget, the General Accounting Office and the Treasury Department have studied the situation and, in cooperation with the staff of your committee, developed a draft of a bill to be proposed as a substitute for S. 2678. This culminated in the provisions of S. 3362, also pending in your committee, which is intended to implement both recommendations No. 17 and No. 18 in the Report on Budget and Accounting of the Commission on Organization of the Executive Branch of the Government, and the Treasury Department would prefer to see this bill enacted.

Further joint consideration has been given to certain technical amendments to S. 3362 in the interest of clarification, which are being presented by the Bureau of the Budget. With these amendments, the Treasury Department strongly recommends the enactment of S. 3362, which would simplify the payment of claims, facilitate accounting for expenditures against expired appropriations, and improve government-wide accounting and financial reporting of receipts and expenditures.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

W. RANDOLPH BURGESS,
Acting Secretary of the Treasury.

STATEMENT OF ROBERT F. KELLER, ASSISTANT TO THE COMPTROLLER GENERAL, BEFORE THE REORGANIZATION SUBCOMMITTEE OF THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS ON S. 3362

Mr. Chairman and members of the subcommittee: We appreciate the opportunity to appear before you to discuss S. 3362 which, if enacted, will bring about substantial accounting improvements in the Government and will greatly simplify and facilitate the payment of amounts due to creditors of the Government which are chargeable to lapsed appropriations.

The Hoover Commission, in its report on budget and accounting, made two recommendations in the particular area covered by S. 3362.

These are:

> Recommendation No. 17: "That each department and agency be authorized to maintain a single account under each appropriation title or fund for controlling the amount available for the liquidation of valid obligations."

and

> Recommendation No. 18: "That vouchers which are otherwise valid but as to which appropriations have lapsed should not be referred as 'claims' to the General Accounting Office but should be settled within the agencies."

S. 3362 will substantially carry out the objectives of recommendations Nos. 17 and 18, the only essential difference being that obligated balances for prior years would be consolidated in separate accounts, rather than brought forward to the current appropriation accounts of the agencies.

S. 3362 authorizes the agencies of the Government to pay undisputed bills chargeable to lapsed appropriations in precisely the same manner as bills payable from currently available appropriations. This objective will be accomplished by repealing existing requirements that all obligations chargeable to lapsed appropriations shall be certified by the General Accounting Office in advance of payment; by permitting agencies to retain obligated balances of appropriations made to them; and by granting, under regulations to be prescribed by the Comptroller General, authority to the agencies to pay prior-year obligations from the retained balances through regular disbursing channels.

In the event S. 3362 is enacted, it is estimated that from 40,000 to 50,000 cases a year which under present law are required to be processed by the General Accounting Office can be paid directly by the agencies. As a result, claims adjudicators and supporting personnel of the General Accounting Office now engaged in such work will be available for assignment to more productive work. Paperwork and time lags will be substantially reduced. In addition, the General Accounting Office will be able to discontinue the maintenance of approximately 35,000 detailed ledgers of accounts pertaining to lapsed appropriations.

The bill will not affect the responsibility of the General Accounting Office to adjudicate claims involving doubtful questions of law or fact. Such claims will continue to be sent to the General Accounting Office for settlement.

In addition, the proposed legislation will reduce the carryover of unexpended balances in appropriations. At present, the entire balance of each annual appropriation is carried in the account of the agency for 2 years after the appropriation is no longer available for obligation purposes. Under the provisions of S. 3362, the obligated balance of an appropriation will be transferred to an appropriation account consisting of the obligated balances of all prior appropriations granted for the same general purpose. The unobligated balance will revert to the general fund of the Treasury. These transfers will be based on reports of obligated balances which all agencies are now required to make under the provisions of section 1311 of the Supplemental Appropriation Act, 1955.

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It is recognized that it is not always possible to report obligated balances of appropriations with precise accuracy, due to occurrences which may come about after the reporting date. Amounts ultimately required for liquidation of obligations may fluctuate. However, the agencies will be able to utilize the savings resulting from excess obligations to offset amounts underobligated. This feature, together with the authorization in section 3 of the bill, to use currently available appropriations when necessary to meet obligations against prior years appropriations, should afford sufficient latitude to the agencies to effect payments to creditors without undue delay.

An additional benefit will be afforded by the bill. At present, liquidations of outstanding obligations against lapsed appropriations are budgeted and recorded as expenditures of the Treasury Department rather than of the agencies who received the goods and services. This procedure overstates the expenditures of the Treasury and understates the expenditures of the agencies which incurred the obligations by several hundred millions of dollars each year. Under S. 3362 such expenditures will be recorded and reported as expenditures of the individual agencies who received the goods or services.

It is understood that the Bureau of the Budget has suggested amendments to S. 3362. These amendments are for the most part technical. They have been discussed with us and we concur with the Bureau in recommending their favorable consideration.

We fully endorse the provisions of S. 3362, together with the amendments offered by the Bureau of the Budget and urge favorable consideration of the legislation by the Congress.

Changes in Existing Law

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows:

EXISTING LAW	PENDING BILL
(Title 31, sec. 712b, U. S. C.)	That, (a) the account for each appropriation available for obligation for a definite period of time shall, upon the expiration of such period, be closed as follows:
Unless a longer period of availability for expenditure is specifically provided in an appropriation or other law, on July 1 in each year the unexpended balances of all appropriations which shall have remained upon the books of the Government for two fiscal years following the fiscal year or years for which appropriated shall lapse and the Secretary of the Treasury shall cause such balances to be transferred to a consolidated appropriation account, to be known as "Payment of certified claims," and such funds shall remain available until expended	(1) The obligated balance shall be transferred to an appropriation account of the agency or subdivision thereof responsible for the liquidation of the obligations, in which account shall be merged the amounts so transferred from all appropriation accounts for the same general purposes; and (2) The remaining balance shall be withdrawn and, if the appropriation was derived in whole or in part from the general fund, shall revert to such fund, but if the

EXISTING LAW

for the payment of claims, within the limits of and chargeable to the respective balances of any lapsed appropriations, which may be certified by the Comptroller General of the United States to be lawfully due: *Provided*, That this section shall not apply to permanent specific appropriations or appropriations for rivers and harbors, lighthouses, or public buildings (which shall continue available until otherwise ordered by the Congress) or to appropriations for the Post Office Department or the postal service: *Provided further*, That on July 1 of each year, all funds in the appropriation account "Payment of certified claims," certified by the Comptroller General of the United States as not required for the payment of claims thereunder, shall be carried to the surplus fund of the Treasury.

PENDING BILL

appropriation was derived solely from a special or trust fund, shall revert, unless otherwise provided by law, to the fund from which derived: *Provided*, That when it is determined necessary by the head of the agency concerned that a portion of the remaining balance withdrawn is required to liquidate obligations and effect adjustments, such portion of the remaining balance may be restored to the appropriate account established pursuant to this Act: *Provided further*, That the head of the agency concerned shall make a report with respect to each such restoration to the chairman of the Committees on Appropriations of the Senate and the House of Representatives, to the Comptroller General of the United States and to the Director of the Bureau of the Budget.

(b) The transfers and withdrawals required by subsection (a) of this section shall be made—

(1) not later than September 30 of the fiscal year immediately following the fiscal year in which the period of availability for obligation expired, in the case of an appropriation available both for obligation and disbursement, on or after the date of approval of this Act; or

(2) not later than September 30 of the fiscal year immediately following the fiscal year in which this Act is approved, in the case of an appropriation which, on the date of approval of this Act, is available only for disbursement.

(c) For the purposes of this Act, the obligated balance of an appropriation account as of the close of the fiscal year shall be the amount of unliquidated obligations applicable to such appro-

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EXISTING LAW

(Title 31, sec. 690, U. S. C.)

Any collection which otherwise would be for depositing to the credit of an appropriation where such appropriation has lapsed and the balance reverted to the surplus fund shall be deposited for covering into the general fund of the Treasury as miscellaneous receipts.

PENDING BILL

priation less the amount collectible as repayments to the appropriation as reported pursuant to section 1311 (b) of the Supplemental Appropriation Act, 1955 (68 Stat. 830; 31 U. S. C. 200 (b)). Collections authorized to be credited to an appropriation but not received until after the close of the fiscal year in which such appropriation expires for obligation shall, unless otherwise authorized by law, be credited to the appropriation account into which the obligated balance has been or will be transferred, pursuant to subsection (a) (1), except that collections made by the General Accounting Office for other Government agencies may be deposited into the Treasury as miscellaneous receipts.

(d) The transfers and withdrawals made pursuant to subsections (a) and (b) of this section shall be accounted for and reported as of the fiscal year in which the appropriations concerned expire for obligation, except that such transfers of appropriations described in subsection (b) (2) of this section shall be accounted for and reported as of the fiscal year in which this Act is approved.

SEC. 2. Each appropriation account established pursuant to this Act shall be accounted for as one fund and shall be available without fiscal year limitation for payment of obligations chargeable against any of the appropriations from which such account was derived. Subject to regulations to be prescribed by the Comptroller General of the United States, payment of such obligations may be made without prior action by the General Accounting Office, but nothing contained in this Act shall be construed to relieve the Comptroller

EXISTING LAW

PENDING BILL

General of the United States of his duty to render decisions upon requests made pursuant to law or to abridge the existing authority of the General Accounting Office to settle and adjust claims, demands, and accounts.

SEC. 3. (a) Appropriation accounts established pursuant to this Act shall be reviewed periodically but at least once each fiscal year, by each agency concerned. If the undisbursed balance in any account exceeds the obligated balance pertaining thereto, the amount of the excess shall be withdrawn in the manner provided by section 1 (a) (2) of this Act; but if the obligated balance exceeds the undisbursed balance, the amount of the excess may be transferred to such account from the appropriation currently available for the same general purposes. A review shall be made as of the close of each fiscal year and the transfers or withdrawals required by this section accomplished not later than September 30 of the following fiscal year, but the transactions shall be accounted for and reported as of the close of the fiscal year to which such review pertains. A review made as of any other date for which transfers or withdrawals are accomplished after September 30 in any fiscal year shall be accounted for and reported as transactions of the fiscal year in which accomplished.

(b) Whenever a payment chargeable to an appropriation account established pursuant to this Act would exceed the undisbursed balance of such account, the amount of the deficiency may be transferred to such account from the appropriation currently available for the same general purposes. Where such deficiency is caused by the failure to collect repayments to appropriations

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PENDING BILL

merged with the appropriation account established pursuant to this Act, the amount of the deficiency may be returned to such current appropriation if the repayments are subsequently collected during the same fiscal year.

(c) In connection with his audit responsibilities, the Comptroller General of the United States shall report to the head of the agency concerned, to the Secretary of the Treasury, and to the Director of the Bureau of the Budget, respecting operations under this Act, including an appraisal of the unliquidated obligations under the appropriation accounts established by this Act. Within thirty days after receipt of such report, the agency concerned shall accomplish any actions required by subsection (a) of this section which such report shows to be necessary.

SEC. 4. During the fiscal year following the fiscal year in which this Act becomes effective, and under rules and regulations to be prescribed by the Comptroller General of the United States, the undisbursed balance of the appropriation account for payment of certified claims established pursuant to section 2 of the Act of July 6, 1949 (63 Stat. 407; 31 U. S. C. 712b), shall be closed in the manner provided in section 1 (a) of this Act.

SEC. 5. The obligated balances of appropriations made available for obligation for definite periods of time under discontinued appropriation heads may be merged in the appropriation accounts provided for by section 1 hereof, or in one or more other accounts to be established pursuant to this Act for discontinued appropriations of the agency or subdivision thereof currently responsible for the liquidation of the obligations.

EXISTING LAW

(Title 31, sec. 715, U. S. C.)

All balances of appropriations which shall have remained on the books of the Treasury, without being drawn against in the settlement of accounts, for two years from the date of the last appropriation made by law, shall be reported by the Secretary of the Treasury to the General Accounting Office, the proper officer of which shall examine the books of such office, and certify to the Secretary whether such balances will be required in the settlement of any accounts pending in such office; and if it appears that such balances will not be required for this purpose, then the Secretary may include such balances in his surplus-fund warrant, whether the head of the proper department shall have certified that it may be carried into the general Treasury or not. But no appropriation for the payment of the interest or principal of the public debt, or to which a longer duration is given by law, shall be thus treated.

(Title 31, sec. 713a, U. S. C.)

Whenever it may be necessary in the settlement of the accounts of disbursing officers of the Government for expenditures already made in pursuance of law, to use appropriations carried to the surplus fund under section 713 of this title the Secretary of the Treasury is authorized to make the necessary entries on the books of the Department to effect such settlements: *Provided*, That such entries shall not involve the expenditure of any moneys from the Treasury.

PENDING BILL

SEC. 6. The unobligated balances of appropriations which are not limited to a definite period of time shall be withdrawn in the manner provided in section 1 (a) (2) of this Act whenever the head of the agency concerned shall determine that the purpose for which the appropriation was made has been fulfilled; or, in any event, whenever disbursements have not been made against the appropriation for two full consecutive fiscal years: *Provided*, That amounts of appropriations not limited to a definite period of time which are withdrawn pursuant to this section or were heretofore withdrawn from the appropriation account by administrative action may be restored to the applicable appropriation account for the payment of obligations and for the settlement of accounts.

SEC. 7. The following provisions of law are hereby repealed.

(a) The proviso under the heading "Payment of certified claims" in the Act of April 25, 1945 (59 Stat. 90; 31 U. S. C. 690);

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EXISTING LAW

(Title 31, sec. 712c, U. S. C.)

For payment of claims (not to exceed $500 in any case) which may be certified by the Comptroller General of the United States to be within the limits of, and chargeable against the balances of the respective appropriations which, after remaining unexpended, have been carried to the surplus fund, there is appropriated for the Treasury Department, out of any money in the Treasury not otherwise appropriated, such amounts as hereafter may be necessary.

PENDING BILL

(b) Section 2 of the Act of July 6, 1949 (63 Stat. 407; 31 U. S. C. 712b), but the repeal of this section shall not be effective until June 30, 1957;

(c) The paragraph under the heading "Payment of certified claims" in the Act of June 30, 1949 (63 Stat. 358; 31 U. S. C. 712c);

(d) Section 5 of the Act of March 3, 1875 (18 Stat. 418; 31 U. S. C. 713a); and

(e) Section 3691 of the Revised Statutes, as amended (31 U. S. C. 715).

(f) Any provisions (except those contained in appropriation Acts for the fiscal years 1956 and 1957) permitting an appropriation to remain available for expenditure for any period beyond that for which it is available for obligation, but this subsection shall not be effective until June 30, 1957.

SEC. 8. The provisions of this Act shall not apply to the appropriations for the District of Columbia or to the appropriations disbursed by the Secretary of the Senate or the Clerk of the House of Representatives.

SEC. 9. The inclusion in appropriation Acts of provisions excepting any appropriation or appropriations from the operation of the provisions of this Act and fixing the period for which such appropriation or appropriations shall remain available for expenditure is hereby authorized.

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Calendar No. 2288

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2267

AMENDING FURTHER THE FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT OF 1949, AS AMENDED, TO AUTHORIZE THE DISPOSAL OF SURPLUS PROPERTY FOR CIVIL DEFENSE PURPOSES, TO PROVIDE THAT CERTAIN FEDERAL SURPLUS PROPERTY BE DISPOSED OF TO STATE AND LOCAL CIVIL DEFENSE ORGANIZATIONS WHICH ARE ESTABLISHED BY OR PURSUANT TO STATE LAW

JUNE 19, 1956.—Ordered to be printed

Mr. KENNEDY, from the Committee on Government Operations, submitted the following

REPORT

[To accompany H. R. 7227]

The Committee on Government Operations, to whom was referred the bill (H. R. 7227) to amend further the Federal Property and Administrative Services Act of 1949, as amended, to authorize the disposal of surplus property for civil defense purposes, to provide that certain Federal surplus property be disposed of to State and local civil defense organizations which are established by or pursuant to State law, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill, as amended, do pass.

The amendment is in the nature of a substitute.

PURPOSE

The purpose of the bill, as amended, is to amend section 203 of the Federal Property and Administrative Services Act of 1949, as amended, to authorize the donation of Government-owned surplus personal property to civil defense organizations of the States and political subdivisions thereof which have been established by or pursuant to State law. Under the provisions of the proposed amendment, civil defense will be afforded comparable consideration as a donee for surplus property as is presently given to health and education, and enactment of the bill will insure that the State agencies and the facilities of the Department of Health, Education, and Welfare will be utilized to the fullest extent possible under existing laws and regulations.

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PROVISIONS OF H. R. 7227 AS AMENDED

Hearings were held on H. R. 7227 and on a substitute committee bill, S. 3693, by the Subcommittee on Reorganization on April 25, 1956. The committee approved the report of the subcommittee, which recommended that H. R. 7227 be reported favorably to the Senate, with an amendment in the nature of a substitute containing substantially the provisions of the committee bill, S. 3693.

The bill, as amended, does not establish priorities for education, health, or civil defense purposes, but authorizes the donation of property which is surplus to the needs of the Federal Government to all three groups on an equitable basis. The bill provides that for health and education purposes the Secretary of Health, Education, and Welfare, and for civil defense purposes the Federal Civil Defense Administrator, shall have the ultimate responsibility for making the determinations of need and usability. It is expected, however, that the operational tasks will be carried out through the full utilization of existing facilities, both Federal and State, in order to avoid duplication and to achieve economy and facility of operation. For this purpose, the bill makes applicable the provisions of the Federal Civil Defense Act of 1950, relating to delegation of authority and utilization of existing agencies and instrumentalities. In this way, the Federal Civil Defense Administration will be expected to delegate, upon a reimbursable basis, operating functions to the Department of Health, Education, and Welfare, which already has an existing organization and trained personnel for carrying out the health and education donation program, such functions to be performed in conformance with standards of need and usability to be established by the Federal Civil Defense Administration. The committee is advised that the Department of Health, Education, and Welfare and the Federal Civil Defense Administration have already agreed respecting the areas of delegation.

The bill requires the utilization of a single State agency, in each State, for distributing surplus personal property for health, education, and civil defense purposes to eligible donees within the State, instead of permitting direct donations by the Federal Government.

The committee has been assured that, as in the present administration of the health and education donation program, the State agency for surplus property will be authorized by the Department of Health, Education, and Welfare, to locate, screen, and maintain liaison with the holding department or agency for all 3 purposes, rather than having 2 groups screening and inspecting surplus property under the custody of the holding or owning agency. This administrative program will be directed toward minimizing confusion and reducing the number of inspectors requesting permission to survey property located at Federal installations, as well as reducing the time for removal of the property from the disposal agency's premises.

H. R. 7227, as amended, would retain, and extend to donations for civil defense purposes, the principal features of the recent amendments to the act made by Public Law 61, 84th Congress. Thus, under the bill, (1) property in working capital and similar funds will be available for donation to the same extent as other property; (2) the Secretary of Health, Education, and Welfare and the Federal Civil Defense Administrator are authorized to impose reasonable terms, conditions,

reservations, and restrictions upon the use of any single item of donated surplus personal property which had an acquisition cost of $2,500 or more; (3) the Secretary of Health, Education, and Welfare and the Federal Civil Defense Administrator may establish minimum standards of operation for State surplus property distribution agencies; (4) no property may be donated without certification from an appropriate State agency or official that the property is usable and needed within the State for education, public health, or civil defense; and (5) the Secretary of Health, Education, and Welfare and the Federal Civil Defense Administrator may enter into cooperative agreements with State surplus property distribution agencies providing for mutual utilization between State and Federal agencies of their property, facilities and personnel, without reimbursement. As stated above, the bill as amended would authorize the Federal Civil Defense Administrator to impose reasonable terms, conditions, reservations, and restrictions upon the use of any single item of surplus personal property donated for civil defense purposes which has an acquisition cost of $2,500 or more. The Federal Civil Defense Administration and the Bureau of the Budget recommended to the committee that consideration be given to lowering or eliminating the $2,500 acquisition cost minimum, in the case of property donated for civil defense purposes. It was pointed out that such property would be normally utilized as reserve stock, or for civil defense training purposes. The committee considered the recommendation of the interested agencies and concluded that, for the present, the same limitations should be imposed on all three donees, but reserved the right to reexamine this phase after development of some experience under the program.

The bill, as amended, further provides that the Secretary of Defense shall determine whether property is usable and necessary for educational activities which are of special interest to the armed services, such as maritime academies or military, naval, Air Force, or Coast Guard preparatory schools. When the Secretary has determined that such property is usable and necessary for such purposes, the bill requires him to allocate it for transfer by the overall State surplus property distribution agency to such special-interest educational activities. The Department of Defense has suggested that it be permitted to continue to allocate property for direct donation to such educational activities instead of being required to utilize the State distribution agency. The committee, however, believes it desirable to require utilization of the established State distribution channel. At the same time, it is not intended to preclude the Department of Defense from designating the ultimate donee at the time of allocating the property to the State agency for distribution to special-interest educational activities.

Section 2 provides for amending section 203 (k) of the Federal Property and Administrative Services Act of 1949, as amended, to give the Federal Civil Defense Administrator comparable authority for enforcing compliance of terms and conditions on property donations in the same manner as the Secretary of Health, Education, and Welfare is authorized to enforce restrictions on property donated for health or educational purposes. This is a conforming amendment, and is identical to section 5 of H. R. 7227 as approved by the House of Representatives.

Section 3 of the amendment would authorize the Federal Civil Defense Administrator to enter into cooperative agreements with State

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surplus property distribution agencies in the same manner as such authority was conferred on the Secretary of Health, Education, and Welfare by Public Law 61, 84th Congress. Such cooperative agreements may provide for utilization by such Federal agency, without payment or reimbursement, of the property, facilities, personnel, and services of the State agency in carrying out any such program, and for making available to such State agency, without payment or reimbursement, property, facilities, personnel, or services of such Federal agency in connection with such utilization.

Section 4 is a technical amendment to change the designation of subsection (h) to subsection (i) of section 507 of the Federal Property and Administrative Services Act of 1949, as amended by "joint resolution to provide for the acceptance and maintenance of Presidential libraries, approved as Public Law 373 on August 12, 1955."

Section 5 provides that the effective date of the act shall be on the first day of the first month after the date of enactment, except that in any State where a single State agency has not then been designated for distribution of surplus property for all purposes, allocation of such property may be made—until 90 calendar days after the close of the first regular session of such State legislature—to the then existing State surplus property distribution agency designated for health and education, if any, to the extent that such agency is at the time of such allocation authorized under State law whether by State statute, Executive order, or other legal action to receive and distribute surplus property for any of the purposes of section 203 (j), as amended by the bill. In the absence of any such State agency, or in the absence of authority of such agency under State law to receive and distribute any class of property, such property may be transferred, during the transitional period so provided, to any State agency or official authorized under State law to receive and distribute such property.

PROPOSALS FOR FURTHER EXTENSIONS

The committee, in recommending legislation to clarify the surplus property donable program in the first session of the present Congress for educational and health purposes, agreed to give further consideration to bills then pending before the committee to extend the basic provisions of the act for civil defense purposes. In conformity with this program, favorable action is recommended on H. R. 7227, as amended.

The Subcommittee on Reorganization also gave consideration to other proposals pending before the committee for extension of the donable provisions of the Federal Property and Administrative Services Act, as related to the disposal of surplus property, including soil conservation districts, welfare camps, and 4-H Clubs, but recommended against including additional groups or agencies.

The action of the committee, in opposing further extensions at this time, accords with the views of some of the Federal agencies concerned with surplus property disposals, which held that further spreading of distributions under the program would create difficult administrative problems and seriously impair the benefits presently accruing to educational and public health activities. This view also accords with the recommendations of the Hoover Commission, as set forth in the following extracts from its reports.

HOOVER COMMISSION RECOMMENDATIONS

The Commission on Organization of the Executive Branch of the Government made the following recommendation and comment in its Report on Surplus Property, with respect to broadening the donable property program:

Proposals to broaden the donation program

The Department of Health, Education, and Welfare has proposed that the donation program for public health purposes be broadened to include nursing homes, sanitation systems, scientific laboratories, treatment centers for physically handicapped, and malaria control institutions.

The American Municipal Association appealed to the task force to include in its recommendations a change in the law to make local governments eligible for donations of Federal surplus personal property. The mayor of the city of New York wrote to the task force chairman in a similar vein.

The Federal Civil Defense Administration has advocated legislation which would permit donation of Federal surplus personal property for civil defense purposes to States and local governments, and to Territories and possessions, without cost except for costs of care, handling, and transportation.

Other proposals have been embodied in legislation from time to time to include such donees as 4–H Clubs, volunteer fire departments, and rescue squads.

While some proposed extensions of the donable program seem irrelevant or trivial, others have considerable merit. However, the Commission observes that the inclusion of other donees, such as cities and counties, would pose complex problems of determining priorities. Also the donations for civil defense purposes, proposed to be allocated by the Federal Civil Defense Administration, would establish another Federal agency as a rival to the Department of Health, Education, and Welfare in allocating surplus property to State and local agencies.

Recommendation No. 9

That the Congress reexamine the provisions of the Federal Property and Administrative Services Act of 1949, as amended, relating to the donation of Federal surplus property, and clarify congressional intent to transfer such property without cost to State educational and public health institutions, notwithstanding Department of Defense requirements for reimbursement of stock funds for transfers of property from such funds (p. 45).

(This was accomplished through the enactment of Public Law 61, 84th Cong.)

No specific recommendation was made by the Hoover Commission or its task forces in relation to the extension of the donable provisions of the surplus disposal program for civil defense. The Task Force Report on Federal Medical Activities did, however, stress the importance of the expansion of imperatively needed civil defense work,

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and the essential need for a clear and concise program under the coordination of Federal-State agencies. The task force recommended that the Federal Civil Defense Administration be given more authority and financial support to perfect plans for the delegation of operational authority, particularly as related to emergency medical care, during and immediately following an attack on continental United States, in close cooperation with the Department of Health, Education, and Welfare. The pending bill, if approved by the Congress, would conform to the overall objectives set forth in this report, as follows:

Organization for disaster

A complete medical plan is an inescapable requirement for survival in an atomic age. Our Nation does not have such a plan at this time nor is it possible to formulate one without some drastic revisions in national policies and organization. As a nation, we are medically unprepared for atomic attack.

Present plans for the health needs of modern war, in our opinion, would prove ineffective. Plans of the several Federal departments fail to give intelligent recognition to problems outside of their presently defined spheres of responsibility. These plans fail to recognize that an atomic bomb will not observe the traditional distinction between military and civilian in point of its destructive power.

We do not consider it efficient or honorable to leave either the preparation for, or the brunt of, bearing an annihilating attack to the component states of a union being invaded. We see, as essential and urgent, a clear and concise definition of Federal-State responsibility and jurisdictional authority covering both military and civilian medical resources.

Multiple approaches to the medical problems of civil defense which have been adopted by the various States have resulted in programs which are uncoordinated and not geared to meet the kind of emergency which attack would bring to the civilian population. We find as essential and urgent, a clear and concise definition of Federal-State responsibility and jurisdictional authority covering both military and civilian medical resources.

The public-minded citizens of this Nation who are members of voluntary organizations which are engaged in activities to preserve this Nation should be strongly commended. Every encouragement should be lent to these individuals and organizations to continue and to expand the imperatively needed civil defense work.

A major and critical weakness exists in the type of long-range plans which have been developed for medical care in the event of disaster. This devolves from the failure to make a specific assignment of responsibility for integrated direction and control of all available medical resources immediately following atomic attack.

Clearly, a strongly disciplined and effectively controlled and experienced directing force will be needed in the first hours or days of an atomic attack. Today the military is the only existing force which has the experience and resources to cope with most of the problems arising from such an event.

The task force feels that these needs are especially important: Greater authority and funds for the Federal Civil Defense Administration; delegation to the Department of Defense of authority for directing emergency medical care; increased emphasis on Federal stockpiling of medical supplies and equipment; assumption of medical responsibilities by persons, organizations, and municipalities outside of the critical target areas.

We believe it imperative that a national policy for survival be adopted, that it be clear and unequivocal, and that all possible available information be communicated to our citizens. Moreover, we strongly urge that the proposed Federal Council of Health be specifically given the responsibility of formulating such policy and coordinating the planning for the health needs of the entire Nation in time of war. In the development of such policy, this task force is of the opinion that every effort should be made to preserve resources for education for all types of health personnel.

We should like to note particularly that proper attention has not been given to dispersal of Government facilities, key industries, and industrial populations. Besides being less susceptible to the factor of human failure in any warning system, dispersal would help solve evacuation problems at the time of disaster. Furthermore, dispersal would act as a deterrent to attack. Dispersal as a protective measure has been evaded and ignored to an inexcusable degree.

The task force recommends—

That the Federal Civil Defense Administration be given greater statutory authority and financial support to plan, coordinate, and operate National, State, and local civil defense plans and that its health office be elevated in organizational status to a position commensurate with its duties and responsibilities; and

That plans be made for the delegation of operational authority for directing emergency medical care during and immediately following an attack on continental United States to the Department of Defense, in close cooperation with the Department of Health, Education, and Welfare and Federal Civil Defense Administration.

AGENCY COMMENTS

Some of the affected agencies were not given an opportunity to testify before the House Committee on Government Operations when H. R. 7227 was under consideration, and the House report (H. Rept. 1455) includes only those portions of the agency reports which support the bill. The agencies affected by this legislation have recommended that H. R. 7227 be amended or substantially changed to conform to the policies contained in Public Law 61, approved June 3, 1955, to avoid conflicts of administration, and to improve the overall objectives of the donable property program. In accordance with these recommendations, the committee approved amendments proposed by these agencies, which also conformed to the views of this committee as expressed at earlier hearings on related proposals.

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Since these amendments were numerous and extensive, representatives of the agencies were invited to assist in developing the revised language of the committee amendment, and to submit their views in support of the substitute amendment, at hearings held by the Subcommittee on Reorganization on April 25, 1956. All affected and participating agencies endorsed the bill, as amended.

Prior to the hearings, the committee received reports from these agencies on a committee print dated December 9, 1955, which was introduced in the Senate as a committee bill, S. 3693, on April 23, 1956, and adopted by the committee as an amendment (in the nature of a substitute) to H. R. 7227, as follows:

GENERAL SERVICES ADMINISTRATION,
Washington 25, D. C., February 20, 1956.

Re H. R. 7227, Surplus Donations for Civil Defense.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Government Operations,
United States Senate, Washington 25, D. C.

DEAR SENATOR MCCLELLAN: Your December 9 letter requests our views on proposed changes in H. R. 7227, 84th Congress, as passed by the House of Representatives. These changes are set forth in the December 9 committee print, attached to your letter.

The Senate committee print is intended to be proposed as a substitute for H. R. 7227 as passed the House. Our views on House-passed H. R. 7227 were expressed in our letter to you of December 16.

As outlined below, all of our recommendations for changes in H. R. 7227, as passed the House, have been adopted or in some manner taken care of in the committee print.

The possibility of a new priority being created between donations for education and public health on the one hand and civil defense on the other is eliminated. Also, the division of responsibility between the Secretary of Defense and the Federal Civil Defense Administrator, with attendant implications, is eliminated in the committee print.

The committee print makes applicable to donations for civil defense the provisions concerning education and public health donations which were included in Public Law 61, 84th Congress, with respect to imposition of conditions on the use of donated property, certification by each State agency or official as to usability and need, minimum standards of operation for each State agency or official, and provisions for Federal-State cooperative agreements.

Section 5 of the committee print provides an interim arrangement for the benefit of such States as have not, on or before the enactment of this proposed legislation, enacted appropriate State legislation providing for such civil defense donations.

As indicated in staff memorandum No. 84–1–38, December 9, attached to your letter, representatives of this Administration have worked very closely with representatives of your staff, the Senate legislative counsel, and representatives of other agencies concerned in the preparation of this committee print.

In view of the foregoing, this agency favors the changes which the committee print would make in H. R. 7227 as that bill passed the House.

The Bureau of the Budget has advised that there is no objection to the submission of this report to your committee.

Cordially yours,

EDMUND F. MANSURE,
Administrator.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
February 17, 1956.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Government Operations,
United States Senate, Washington 25, D. C.

MY DEAR MR. CHAIRMAN: This is in response to your letter of December 9, 1955, requesting a report on the committee print in the nature of a substitute for H. R. 7227 as it passed the House. The bill would authorize donations of Government surplus personal property for State and local civil-defense organizations on the same basis as is presently authorized for education and public-health purposes.

H. R. 7227 is one of several bills which have been introduced for the purpose of extending the donation program to State and local civil-defense organizations, including S. 1527 and H. R. 4660, which were drafted and submitted to the Congress by the Federal Civil Defense Administration.

We believe that the amended language of H. R. 7227, which was prepared by the staff of your committee in consultation with representatives of the interested agencies, represents a definite effort either to correct the administrative problems which have been pointed out in earlier reports to the committees or to leave the door open for administrative action or controls which we believe will give the needed flexibility for handling these problems.

We have but one suggested change to offer in the language of the bill. The bill provides that the Administrator of Civil Defense "may impose reasonable terms, conditions, reservations, and restrictions upon the use of any single item of personal property donated * * * which has an acquisition cost of $2,500 or more." This language is taken from Public Law 61, 84th Congress, as it applies to donations for educational or public health purposes. We do not wish to question the limitation as it applies to donations for education or public health but we share the belief expressed in the reports to your committee from the Department of Health, Education, and Welfare and the Federal Civil Defense Administration that the application of this provision to donations for civil defense purposes should be reconsidered.

A limitation which applies only to items costing $2,500 or more is not really much of a limitation because very few single supply items cost that much. Many if not most items donated for civil defense purposes will not be used currently but will be stored for future emergency, probably under varying conditions of warehousing and protection. Even though individual lots of property worth millions of dollars might be involved, the Government would be without authority to impose reasonable terms or restrictions upon the use of such property unless the cost of each individual unit of property is $2,500 or more. We believe the $2,500 limitation may be too high a figure considering the need for effective controls over supplies stockpiled for civil defense purposes.

Apart from this suggestion, we believe the amended bill is satisfactory with the understanding that the Federal Civil Defense Administration will not actually allocate any property directly but in-

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stead will delegate the operating phases of the work to the Department of Health, Education, and Welfare in order that allocations for surplus property for education, health, or civil defense purposes will be integrated in a single operating organization. We have been told informally that the Federal Civil Defense Administration and the Department of Health, Education, and Welfare have agreed upon an integrated allocation system to be operated by the Department of Health, Education, and Welfare. We consider an arrangement of this kind to be absolutely essential in order to avoid the delay and expense of a priority system as well as any requirement for a Federal agency to decide disputes when health, education, and civil defense programs compete for the same property.

We believe one of the most essential provisions in the amended bill prepared by your committee is the requirement that each State provide a single integrated agency to receive and distribute surplus property instead of requiring the Federal Government to allocate property to two or more agencies in a State, each competing for the same property. We recognize, of course, that it may be necessary to operate temporarily with more than one agency in a State until necessary State legislation is enacted. We do not object to the provision in the amended bill which would authorize such temporary arrangements until 90 calendar days have passed after the close of the first regular session of a State legislature beginning after the bill is enacted.

As indicated in previous reports, we believe many administrative problems exist which will require careful and sustained attention. For example, it is vital that property donated for civil defense purposes be properly preserved for long-term storage, that it be properly stored, that accurate inventory records be maintained, and that adequate measures are taken within each State to assure that property does not deteriorate and is not diverted to uses which are not authorized. Reasonable standards are necessary and we believe they should be strictly observed.

Sincerely yours,

ROWLAND HUGHES, *Director.*

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
Washington 25, February 21, 1956.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Government Operations,
United States Senate.

DEAR MR. CHAIRMAN: This is in response to your letter of December 9, 1955, requesting an expression of our views on a committee print of the same date covering amendments (in the nature of a substitute) intended to be proposed to H. R. 7227 which has passed the House and which would authorize the donation of surplus personal property for civil defense purposes. We assume that a report on S. 1527, a bill with the same objective, which is also pending before your committee, is no longer desired in view of the fact that S. 1527 does not take account of the recent amendments effected by Public Law 61 (84th Cong.) and in view of the legislative developments on H. R. 7227.

The mimeographed staff memorandum of December 9, 1955 (No. 84–1–38), which you were good enough to enclose with the

committee print, so well analyzes the provisions of the committee print (as compared with those of H. R. 7227 as passed by the House), and also quotes so fully from the reports of interested agencies (including a letter from the General Counsel of this Department) on the House-passed version of the bill, that we shall refer to particular provisions only insofar as necessary to a statement of our views.

1. We favor the basic objective of the proposed legislation to make Federal surplus personal property available for donation for civil defense purposes to the civil defense organizations of the States and their political subdivisions and instrumentalities. While we have in the past questioned the extension of the surplus property donation provisions of the Federal Property and Administrative Services Act (sec. 203 (j)) on a piecemeal basis, we believe that the overriding national interest in the civil defense program warrants a special exception in this instance.

2. As pointed out by your committee's staff memorandum, the committee print would remove serious objections which have been raised by the various interested executive agencies and by the Bureau of the Budget in relation to the House-passed version of H. R. 7227.

The House-passed version would, in the first place, in the case of property under the control of the Defense Department (which constitutes the bulk of surplus personal property), create a prior claim for donations to "State and local civil defense agencies * * * of special interest to the armed services," as against donations for purposes of health or education, where the property is "peculiarly adaptable for civil defense (not to include common-use items)." It would vest in the Secretary of Defense responsibility for making allocations to carry out this priority. To the extent that this priority is not used or is not available, the FCDA would then be given a further opportunity to make allocations of surplus personal property for civil defense purposes, and this would not be limited to items "peculiarly adaptable for civil defense."

We doubt that it would be practicable or wise to draw a distinction between civil defense activities "of special interest to the armed services" and other civil defense activities carried on by State and local civil defense organizations. At any rate, as stated in the Budget Bureau's report of August 1, 1955, to your committee, "it would be impossible to fix responsibility for proper administration and control of the donation program if both the Secretary of Defense and the Federal Civil Defense Administrator are authorized to make allocations to civil defense organizations." The Defense Department, in its report of August 1, 1955, to your committee, expressed the view that the imposition of such a responsibility upon the Secretary of Defense would be both undesirable and unnecessary.

Again, apart from the ambiguity of the priority category as delineated in the House-passed bill and from the anomaly of a second screening for civil defense purposes where the priority is not used, the experience under earlier laws creating special priorities and preferences for surplus property disposal indicates that a priority provision of this type would give rise to formidable delays, difficulties, and perhaps disputes in actual administration. Aside from these administrative problems, it is questionable whether any rule of thumb giving priority to donations of surplus property for civil defense purposes over those for health or education would in all circumstances best serve the national

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interest, especially where the civil defense use would be primarily storage for emergencies and the health or education use would be immediate and might also serve the ends of civil defense.

We, therefore, believe that the committee print offers a wise solution in placing donations for civil defense purposes on a basis of statutory parity with those for health and education, relying upon flexibility in actual administration to achieve, by and large, an equitable distribution of such property between the various interests concerned, to the extent that there might be competing claims upon the same property. It is pertinent in this connection that the FCDA itself, in submitting the proposal to the Congress, did not ask for more and in fact stated that it expected that such competing claims would normally "be reconciled at State and local levels."

3. The committee print would require that all property to be donated under section 203 (j) of the act, as amended by the bill, whether for health or education, for civil defense purposes, or for educational activities of special interest to the armed services, and allocated to any State, be transferred to an overall surplus property distribution agency designated under State law in the State in which the property is to be ultimately used (instead of permitting such property to be transferred directly by the Federal agency to the donee or to a State surplus property distribution agency not authorized to distribute property for all the purposes of section 203 (j)). This provision of the committee print—which would take effect only after a transitional period adequate to enable all States to make themselves eligible to receive such property—would introduce a felicitous device into the act which, together with interagency arrangements contemplated by the FCDA and this Department, should reduce to a minimum any possible conflict between these two agencies.

In discussions between staffs of the two agencies, as yet not formalized, an understanding has been reached that, in the event of enactment of this bill, the FCDA would delegate to this Department, under the authority of the bill and the Federal Civil Defense Act, the operating functions under the civil defense surplus property donation program; that is, the functions of screening (with the assistance of State surplus property distribution agencies) the surplus property available, making allocations to State distribution agencies, and carrying out the other Federal operating functions involved in the program. The FCDA would advise this Department of the kinds of property usable and needed for civil defense purposes, would establish minimum standards of operation for State agencies in agreement with this Department, and would establish terms, standards, and conditions as to the care and use of property by the ultimate donee similar to those established for civil defense property contributed under the Federal Civil Defense Act, to the extent that this will be permitted by the bill as finally enacted.

This Department in turn expects, in the usual case, not to specify at the time of allocation to the State distribution agency whether the property is to be donated ultimately for health or education on the one hand or civil defense on the other, but such State agencies will be expected to consult with appropriate civil defense agencies within the State to ascertain their needs.

In this connection, it seems appropriate to note that there are 51 State and Territorial agencies for surplus property to which property

is allocated and transferred for distribution to the eligible health and educational institutions within the States. Most of these State agencies operate warehouses for the purpose, and have trained personnel and proper equipment to carry on the program of acquiring and distributing donable property. Also, most of the State agencies employ full-time screeners who make periodic visits to the various Federal installations within the State to list the surplus property that is available and considered by them to be usable for health and educational purposes. Consequently, the organizations currently in existence at both Federal and State levels in carrying out the program of donation of personal property for health and educational purposes would be particularly suited for, and adapted to, also carrying out the proposed program of donation for civil defense purposes, although in some few States some action in the form of enabling legislation or amendment to the executive orders of the governors of the various States might be required to broaden the existing authority of the State agencies to include authority to act in respect to such civil defense functions.

Thus, utilization of the facilities of this Department by the FCDA on a reimbursable basis, through delegation of the operating functions under the civil defense surplus property donation program, would give promise of achieving effective coordination of the present health and education donation program and the proposed new program, preventing unnecessary friction, and promoting economy by avoiding duplication of personnel and services.

Whether the Defense Department, in carrying out its present responsibility for making allocations of surplus personal property for donation to educational activities of special interest to the armed services, should likewise be required to utilize the same State surplus property distribution agency, as proposed by the committee print, instead of providing for direct transfer from the Federal agency to the ultimate donee in accordance with present practice, is a question on which we would defer to the views of the Defense Department.

4. In carrying out the principle of statutory parity as between the health and education donation program and the civil defense donation program, the committee print has made applicable to the civil defense program all of the special provisions enacted with respect to health and education by Public Law 61 (84th Cong.) including the provision which permits the fixing of reasonable terms, conditions, reservations, and restrictions upon the use of donated property in the hands of the donee only in the case of any single item whose acquisition cost is $2,500 or more.

We understand that this dollar limit would create even greater problems in the civil defense program than in the health and education program, because property donated for civil defense purposes in many cases will be given primarily for storage for emergency use, and because the proper care and preservation of this property for such use is thus a matter of direct national concern. If, thus, there are cogent reasons for special provisions in this respect in the case of property donated for civil defense purposes, we assume that considerations of statutory symmetry as between the two programs will not deter the committee from making the necessary modification in the committee print.

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5. The committee print also corrects certain technical drafting defects in the House-passed version.

* * * * * * *

We, therefore, believe that the committee print overcomes all of the objections made to the House-passed version of H. R. 7227, and we recommend that the provisions of the committee print be substituted for those now in the bill. We would, however, not object to such modifications of the committee print as the committee may find suitable with respect to the dollar limit on the establishment of terms and conditions governing the use of donated property in the civil defense donation program, and with respect to the requirement of utilization of State agencies by the Defense Department in the case of donations to educational activities of special interest to the armed services.

The Bureau of the Budget advises that it perceives no objection to the submission of this report to your committee.

Sincerely yours,

ROSWELL B. PERKINS,
Acting Secretary.

FEDERAL CIVIL DEFENSE ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR,
Battle Creek, Mich., February 23, 1956.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Government Operations,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: This is in reply to your request of December 9, 1955, for comments on the committee print covering amendments (in the nature of a substitute) proposed to the bill H. R. 7227, as amended, to authorize the disposal of surplus property for civil defense purposes.

The amendments in the nature of a substitute have been carefully examined by the staff of this Administration. The amendments appear to be a carefully considered and well-reasoned effort to codify and restate the present provisions of the statutes authorizing the donation of Federal surplus personal property and the addition of donable property authority for civil defense purposes to the statute.

We note that section 2 provides for amending section 203 (k) of the Federal Property and Administrative Services Act of 1949, as amended, to give the Federal Civil Defense Administrator identical authority for enforcing compliance with the terms and conditions of property donations in the same manner as the Secretary of Health, Education, and Welfare with respect to donations for education or public health purposes. While we recognize the desirability of maintaining identical enforcement provisions, the committee may wish to consider whether the same reason exists for a $2,500 minimum enforcement provision for civil defense equipment, to be utilized as reserve stocks or for civil defense training purposes, is the same reason as the one which prompted the $2,500 minimum for property donated under the authority conferred upon the Secretary of Health, Education, and Welfare. This Administration has no objection to the States being permitted the discretion of disposing of the equipment, on such minimum standard as the Congress deems appropriate or established by

regulations by the Administrator. However, this Administration would suggest and recommend that where the State, political subdivision, or instrumentality disposes of equipment donated under the proposed authority, the requirement be placed upon such State or political subdivision or instrumentality making the disposal that the proceeds be held to the use and benefit of the civil defense program, or such other program as approved by the Federal Civil Defense Administrator, and expenditures of the proceeds made only upon receipt of approval by the Administrator.

The provisions of the proposed substitute are acceptable to this Administration, and we urge the committee's early consideration and favorable action on the measure.

Advice has been received from the Bureau of the Budget that there would be no objection to the submission of this report.

Sincerely,

VAL PETERSON.

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE,
LEGISLATIVE AND PUBLIC AFFAIRS,
Washington 25, D. C., March 1, 1956.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Government Operations,
United States Senate.

DEAR MR. CHAIRMAN: This is in reply to your request for the views of the Department of Defense concerning the committee print of amendments (in the nature of a substitute) to H. R. 7227, to amend further the Federal Property and Administrative Services Act of 1949, as amended, to authorize the disposal of surplus property for civil defense purposes, to provide that certain Federal surplus property be disposed of to State and local civil defense organizations which are established by or pursuant to State law, and for other purposes.

The first section of the committee print would amend subsection 203 (j) of the Federal Property and Administrative Services Act of 1949, as amended, to require donations of surplus property to educational activities of special interest to the Department of Defense, as determined by the Secretary of Defense, to be made through the State agency of the State where the activity is located. Donations of surplus property to such educational activities, under the existing provisions of subsection 203 (j) (3) of the act, are limited to some 46 schools and activities located in 21 States, the Territory of Hawaii, and the District of Columbia, which have been designated as being of special interest to the Department of Defense by the Secretary of Defense. Where property is so determined to be useful for a particular school or activity, it is transferred through the General Services Administration directly to the school or activity. Because of the limited scope of the donation program under the existing provisions of subsection 203 (j) (3), the need for such donations to be made through a State agency cannot be readily seen and adoption of that procedure would result in additional administrative detail and expense in accomplishing the donation.

Accordingly, it is recommended that the last sentence of the proposed new subsection 203 (j) (1) be amended, in line 15, page 2, to add before the word "shall" the following: "(except surplus property

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allocated in conformity with paragraph 2 of this subsection)". Additionally, it is recommended that the second sentence of the proposed new subsection 203 (j) (2) be amended, in line 4, page 3, to delete the words "the appropriate State agency for distribution to".

Enactment of the provisions of the committee print with the foregoing amendments would mean that donations of surplus property to activities of special interest to the Department of Defense could be accomplished as they are accomplished under the existing subsection 203 (j) (3).

Subject to the adoption of the foregoing amendments, the Department of Defense would have no objection to the enactment of the provisions contained in the committee print.

The Department of Defense reaffirms its views on H. R. 7227, as it passed the House of Representatives, which were submitted to the committee on August 2, 1955. Additionally, the Department reaffirms its views of November 22, 1955, concerning this matter.

The Bureau of the Budget has advised with respect to this report and the report of November 22, 1955, as follows:

"Although there is no objection to the submission of such report as you deem appropriate, it is noted that the report reaffirms the views expressed in your letter of November 22, 1955, to the chairman of the committee on an earlier draft of the bill. One of the views expressed in this letter is that civil defense activities 'should receive first consideration in the disposal of such property.' If civil defense activities are to receive first consideration or, for that matter, if any of the eligible donee programs is to receive preference over the others, it would appear that a system of priorities would be necessary.

"In all of the reports on the various bills to permit donations for civil defense purposes, we have objected to any return to a system of priorities because it means that the entire program to dispose of surplus property will be delayed while first one priority group and then another is given an opportunity to select items from lists of surplus property. Such a system was found to be very unsatisfactory and costly during the years immediately following the war.

"We have also objected to arrangements whereby the disposal of surplus property would be further delayed and complicated by providing a third agency such as the General Services Administration to act as an umpire in allocating property claimed for both programs.

"We believe you may wish to reconsider the position taken on this point in the letter of November 22, 1955, in view of this background and of the position taken by the Department of Defense in reporting a similar bill (H. R. 4660). This report, which was enclosed with your letter of July 18, 1955, included a statement that 'an increase in priority and preference provisions of the present law will serve to defeat the basic policies and principles sought to be accomplished by the legislation as initially enacted.'"

Sincerely yours,

RICHARD A. BUDDEKE,
Director, Legislative Programs.

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Calendar No. 2289

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2268

AMENDING SECTION 7 OF AN ACT MAKING APPROPRIATIONS TO PROVIDE FOR THE GOVERNMENT OF THE DISTRICT OF COLUMBIA FOR THE FISCAL YEAR ENDING JUNE 30, 1903, AND FOR OTHER PURPOSES, APPROVED JULY 1, 1902, AS AMENDED

JUNE 19, 1956.—Ordered to be printed

Mr. BEALL, from the Committee on the District of Columbia, submitted the following

REPORT

[To accompany H. R. 6782]

The Committee on the District of Columbia, to whom was referred the bill (H. R. 6782) to amend section 7 of an act making appropriations to provide for the government of the District of Columbia for the fiscal year ending June 30, 1903, and for other purposes, approved July 1, 1902, as amended, after full consideration, report favorably thereon without amendment and recommend that the bill do pass.

The purpose of this legislation is to bring up to date the act of July 1, 1902, relating to the licensing of secondhand dealers, by empowering the Commissioners to classify and regulate secondhand dealers in the light of modern merchandising methods.

Existing law requires the same procedure for licensing, as a secondhand dealer, of every person dealing in used personal property, regardless of whether the sole or primary business of such person is the buying, selling, or exchanging of used personal property, or whether his dealing in used property is only incidental to his buying and selling of new personal property. The same requirements apply if the dealer acquires the used personal property as a result of his repossession of new merchandise sold by him, or whether he acquires the used property as part payment for new merchandise.

The scope of existing law is such that it requires every person licensed as a secondhand dealer to pay an annual license fee of $50, without regard to the extent to which such person deals in used personal property. For example, the operator of a small gasoline station taking in a few used tires and batteries as part payment on new tires and batteries, is required to pay the same annual fee as any other person dealing in any and all classes of used personal property.

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The present law also requires the same inspections, of every secondhand dealer, by the Director of Licenses and Inspections, the Fire Marshal, the Chief of Police, and the Director of Public Health. This legislation would permit a better and more equitable administration and application of the License Act provisions relating to secondhand dealers, expedite the issuance of licenses for certain businesses, and at the same time protect the public interest by retaining the necessary police control of this type of business.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law in the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

(32 Stat. 622, ch. 1352, 47 Stat. 558, ch. 366; D. C. Code 47–2339)

[Dealers in secondhand personal property, including the return or other unused portion of any ticket, order, or token purporting to evidence the right of the holder or possessor thereof to be transported by any railroad or other common carrier, however operated, from one state or territory of the United States, or from the District of Columbia, to any other state or territory of the United States or to the District of Columbia, shall pay a license tax of fifty dollars per annum. Every person engaged in the business of buying, selling, trading, exchanging, or dealing in secondhand personal property of any description, including the return or unused portion of any such ticket, order, or token, shall be regarded as a secondhand dealer. When any piping or other household fixtures or secondhand goods of any description whatever have been stolen and sold to a dealer in junk, or secondhand dealer, in the District of Columbia, under such circumstances that the commissioners of the District of Columbia, after hearing granted, are satisfied that said dealer should have had reasonable ground to believe, or could have ascertained by reasonable inquiry or investigation, that the goods were stolen, and that the dealer did not make reasonable inquiry or investigation as to the title of the seller before making the purchase, the commissioners are authorized and directed to revoke the license of said dealer; and this action shall not be a bar to criminal prosecution for receiving stolen goods.]

PAR. 39. (a) The Commissioners of the District of Columbia are authorized and empowered to classify dealers in secondhand personal property (referred to in this paragraph 39 as "dealers") and to fix and collect a license fee for each such class of dealer, which fee, in the judgment of the Commissioners, will be commensurate with the cost to the District of Columbia of inspection, supervision, and regulation of such class of dealer.

(b) In classifying dealers the Commissioners may take into consideration the kind of property dealt in, whether the property is retained by the dealer for sale at retail, whether the property is disposed of by the dealer out of the District of Columbia, whether the property is disposed of by the dealer as junk or otherwise, and such other criteria as the Commissioners may deem appropriate.

(c) Any person engaging in the business of buying, selling, trading, exchanging, or dealing in secondhand personal property of any description, including the return of unused portion of any ticket, order, or token purporting to evidence the right of the holder or possessor thereof to be transported by any railroad or other common carrier, however operated, from one State or Territory of the United States, or from the District of Columbia, to any other State of Territory of the United States or to the District of Columbia, shall be regarded as a dealer, and shall obtain the appropriate license and pay the fee therefor fixed by the Commissioners. For the purposes of this paragraph 39, the term "secondhand personal property" shall not include any item of personal property (1) which the possessor thereof has acquired as part payment or allowance on the sale by such possessor of a new or rebuilt item of personal property, (2) which the possessor thereof has acquired by reason of its return to him for credit, refund, or exchange by a person having purchased such item from such possessor, or (3) which is offered for sale, trade, or exchange by the person who repossesses the same.

(d) When any property has been stolen and sold in the District of Columbia to a dealer under such circumstances that the Commissioners of the District of Columbia, after such dealer has been afforded a hearing, are satisfied that such dealer had cause to believe, or could have ascertained by reasonable inquiry or investigation that the property was stolen, and that the dealer did not make reasonable inquiry or investigation as to the title of the seller before making the purchase, the Commissioners are authorized and directed to revoke the license of such dealer; and this action shall not be a bar to criminal prosecution for receiving stolen goods: Provided, That nothing in this subparagraph shall be construed as prohibiting the Commissioners from suspending or revoking the license of such dealer under the authority contained in paragraph numbered 46 of this section.

(32 Stat. 622, ch. 1352, 47 Stat. 563, ch. 366, par. 46; D. C. Code 47–2345)

(a) The commissioners are further authorized and empowered to make any regulations that may be necessary in furtherance of the purpose of this section and to revoke any license issued hereunder when, in their judgment, such is deemed desirable in the interest of public decency or the protection of lives, limbs, health, comfort, and quiet of the citizens of the District of Columbia, or for any other reason they may deem sufficient.

(b) Notwithstanding any of the provisions of this section requiring an inspection as a prerequisite to the issuance of a license, the Commissioners are authorized to provide by regulation that any such inspection shall be made either prior or subsequent to the issuance of a license, but any such license, whether issued prior or subsequent to a required inspection, may be suspended or revoked for failure of the licensee to comply with the laws or regulations applicable to the licensed business, trade, profession, or calling.

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UNIVERSITY OF MICHIGAN LIBRARIES

Calendar No. 2292

84TH CONGRESS } SENATE { REPORT
2d Session } { No. 2270

COINAGE METALS REVOLVING FUNDS

JUNE 19, 1956.—Ordered to be printed

Mr. MONRONEY, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany H. R. 10230]

The Committee on Banking and Currency, to whom was referred the bill (H. R. 10230) to amend sections 3526 and 3528 of the Revised Statutes relating to the coinage of subsidiary silver coins and minor coins of the United States, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

The bill would amend two sections of the Revised Statutes to provide greater flexibility and uniformity of procedure in the purchase of coinage metals through established revolving funds. The amendment to section 3528 of the Revised Statutes would provide for an increase in the minor coinage metal fund from $2 million to $3 million. This revolving fund is establish for the purchase of the copper, nickel, zinc, and tin used in the coinage of 1-cent and 5-cent coins. The amendment to section 3526 of the Revised Statutes would permit the silver profit fund, which is a revolving fund established from the gain arising from silver coinage, to be charged with the cost of alloy copper purchased for the production of subsidiary silver coins, namely, the 10-cent, 25-cent, and 50-cent pieces. The silver used in such coinage is purchased from a separate revolving fund called the bullion fund. Thus, the bill would establish uniformity of practice in the purchase of all coinage metals through revolving funds and authorize sufficient funds to purchase an adequate supply of coinage metals.

The minor coinage metal fund was established in 1873 and $50,000 was authorized for the purchase of metals used in the coinage of 1-cent and 5-cent pieces. The fund was increased in 1906 to $200,000; in 1918 to $400,000; in 1937 to $600,000; in 1941 to $1 million; and in 1954 to $2 million. The proposed amendment would increase the

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fund to $3 million. The principal reasons for the increase are the fluctuations in demand for these coins and the increased cost of coinage metals. Since the change authorized in 1954, the price of copper has increased from approximately 30 cents a pound to about 50 cents a pound. Similarly, the costs of zinc, nickel, and tin have advanced. As of March 31, 1956, the mint had an inventory of $1,316,000 of these metals and had orders in process for additional supplies approximating $600,000. Thus, virtually all of the authorized $2 million fund is now obligated.

Improvements in coinage manufacturing also make it increasingly important that the minor coinage metal fund provide for an ample inventory of work in process. The mint is presently modernizing its manufacturing equipment and concentrating its metal processing in a fewer number of large modern rolling mills. New equipment has been installed at the Denver Mint and is currently being installed in the Philadelphia Mint. The increase proposed in the minor coinage metal fund will permit the mint to carry the larger work in process inventories necessary for the new production equipment.

No appropriation will be necessary for the proposed $1 million increase in the minor coinage metal fund. The funds will be provided from coinage seigniorage. For example, the mint will coin 145 pennies or $1.45 of finished product from a pound of copper costing approximately 50 cents. Actually, the minor coinage metal fund authorization acts as a limitation upon the amount of minor coinage seigniorage which may be used at any one time to purchase metal or carry metal in inventory.

It has been previously noted that the seigniorage arising from the coinage of 10-cent, 25-cent- and 50-cent pieces is paid into a revolving fund known as the silver profit fund. The seigniorage on a fine ounce of silver amounts to the difference between the cost to the mint of 90½ cents and the monetary value of $1.38 for the silver coins produced. Present law authorizes the silver profit fund to be charged with wastage incurred in silver coinage, recoinage losses, and the cost of distributing silver coins. The bill under consideration would permit the mint to make an additional charge against this fund for the cost of alloy copper utilized in the production of silver coins. Our silver coins are 90-percent silver and 10-percent copper.

At the present time the alloy copper used in the production of silver coins is purchased from the Bureau of the Mint's annual appropriation for salaries and expenses. It is the only coinage metal which must be purchased in this manner as all the other metals used in coin production are purchased through established revolving funds. The proposed change, permitting the purchase of alloy copper used in silver coins to be charged against the silver profit fund, would provide uniformity in the purchase of all coinage metals.

The enactment of this legislation was requested by the Treasury Department, and the bill was unanimously reported by the committee.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 3526 OF THE REVISED STATUTES (31 U. S. C. 335)

SEC. 3526. In order to procure bullion for the silver coinage authorized by this title, other than the silver dollar, the superintendents, with the approval of the Director of the Mint, as to price, terms, and quantity, shall purchase such bullion with the bullion fund. The gain arising from the coinage of such silver bullion into coin of a nominal value exceeding the cost thereof shall be credited to a special fund denominated the silver-profit fund. [This fund shall be charged with the wastage incurred in such coinage, with the recoinage loss on silver coins recoined pursuant to section 9 of the Act approved March 14, 1900, chapter 41 (31 Stat. 48), as amended (U. S. C., 1946 ed., title 31, sec. 320), and with the cost of distributing silver coins.] *This fund shall be charged with the cost of the alloy metal, with the wastage incurred in such coinage, with the recoinage loss on silver coins recoined pursuant to section 9 of the Act of March 14, 1900 (31 Stat. 48), as amended, and with the cost of distributing silver coins.* The balance remaining to the credit of this fund shall be from time to time, and at least twice a year, covered into the Treasury of the United States.

SECTION 3528 OF THE REVISED STATUTES (31 U. S. C. 340)

SEC. 3528. For the purchase of metal for the minor coinage, authorized by this Act, a sum not exceeding [$2,000,000] *$3,000,000* in lawful money of the United States shall, upon the recommendation of the Director of the Mint and in such sums as he may designate, with the approval of the Secretary of the Treasury, be transferred to the credit of the superintendents of the mints at Philadelphia, San Francisco, and Denver, at which establishments, until otherwise provided by law, such coinage shall be carried on. The superintendents, with the approval of the Director of the Mint as to price, terms, and quantity shall purchase the metal required for such coinage by public advertisement, and the lowest and best bid shall be accepted, the fineness of the metals to be determined on the mint assay. The gain arising from the coinage of such metals into coin of a nominal value, exceeding the cost thereof, shall be credited to the special fund denominated the minor coinage profit fund; and this fund shall be charged with the wastage incurred in such coinage, and with the cost of distributing said coins, as hereinafter provided. The balance remaining to the credit of this fund, and any balance of the profits accrued from minor coinage under former Acts, shall be, from time to time, and at least twice a year, covered into the Treasury of the United States.

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UNIVERSITY OF MICHIGAN LIBRARIES

Calendar No. 2293

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2271

DESERT LAND ENTRIES ON DISCONNECTED TRACTS

JUNE 19, 1956.—Ordered to be printed

Mr. BIBLE, from the Committee on Interior and Insular Affairs, submitted the following

REPORT

[To accompany S. 3512]

The Committee on Interior and Insular Affairs, to whom was referred the bill (S. 3512) to permit desert land entries on disconnected tracts of lands which, in the case of any one entryman, form a compact unit and do not exceed in the aggregate 320 acres, having considered the same, report favorably thereon and recommend that the bill do pass.

PURPOSE OF THE BILL

The Desert Land Act of March 3, 1877, as amended (43 U. S. C., sec. 321), authorizes desert land entries to be made on the public domain for the purpose of reclaiming such land. Each person is permitted to make entry on a single tract which must be one undivided unit and which must not exceed 320 acres in extent. S. 3512 would permit a person to make entry on disconnected tracts of desert land, provided that the aggregate acreage does not exceed 320 acres and that the various tracts when taken together are reasonably compact in form. This would allow the development of scattered tracts of desert land which individually are too small for proper development, but which are close enough together to be managed satisfactorily as an economic unit.

The favorable report of the Department of the Interior is set forth below.

71006

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DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D. C., May 28, 1956.

Hon. JAMES E. MURRAY,
Chairman, Committee on Interior and Insular Affairs,
United States Senate, Washington, D. C.

MY DEAR SENATOR MURRAY: There is now pending before your committee S. 3512, a bill to permit desert land entries on disconnected tracts of lands which, in the case of any one entryman, form a compact unit and do not exceed in the aggregate 320 acres.

We recommend that S. 3512 be enacted.

Section 1 of the Desert Land Act of March 3, 1877, as amended (43 U. S. C., sec. 321), authorized citizens, or those eligible to become citizens, to make entries on tracts of desert land. Each person is permitted to make entry on only 1 tract which must be 1 undivided unit and which must not exceed 320 acres in extent. The right to appropriate water for the tract entered depends upon bona fide prior appropriation. An entryman is permitted to obtain a patent to the tract if, within 3 years after filing the declaration of his intentions, he submits satisfactory proof of his reclamation of the tract and pays the sum of $1 for each acre.

S. 3512 would amend this statute in one important particular. It would permit an entryman to make entry on disconnected tracts of land, provided that the aggregate acreage does not exceed 320 acres and that the various tracts when taken together are reasonably compact in form. Provision is made for the amendment of the act of June 16, 1955 (Public Law 76, 84th Cong.; 69 Stat. 138), in order that it may be consistent with the 1877 act as it would be revised by the proposed bill.

The proposed change is very desirable. There are often other holdings scattered among desert lands open to entry under the 1877 act breaking it into units too small for proper development under the act's existing provisions. However, in many cases unconnected tracts of desert land, each of which would be by itself unsatisfactory for settlement, are close enough together to be managed satisfactorily as an economic unit. This management would be permitted if S. 3512 were enacted. Nothing in its provisions would change the terms with which an entryman must comply or would permit an entryman to obtain more than the 320 acres which the existing statute authorizes him to seek; it is only in the permissible distribution of the lands entered that there would be a difference. We assume that desert land entries would continue to be subject to section 7 of the Taylor Grazing Act, as amended (43 U. S. C., sec. 315f), and that nothing in this bill is intended to modify that requirement.

The Bureau of the Budget has advised that there is no objection to the submission of this report to your committee.

Sincerely yours,

WESLEY A. D'EWART,
Assistant Secretary of the Interior.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, S. 3512,

are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

SECTION 321, TITLE 43, UNITED STATES CODE

§ 321. ENTRY RIGHT GENERALLY; EXTENT OF RIGHT TO APPROPRIATE WATERS.

* * * At any time within the period of three years after filing said declaration, upon making satisfactory proof to the officer designated by the Secretary of the Interior of the reclamation of said tract of land in the manner aforesaid, and upon the payment to such officer of the additional sum of $1 per acre for a tract of land not exceeding three hundred and twenty acres to any one person, a patent for the same shall be issued to him [: *Provided*, That no person shall be permitted to enter more than one tract of land and not to exceed three hundred and twenty acres which shall be in compact form]. *Except as provided in section 3 of the Act of June 16, 1955 (69 Stat. 138), as amended, no person may make more than one entry under this Act. However, in that entry one or more tracts may be included, and the tracts so entered need not be contiguous. The aggregate acreage of desert land which may be entered by any one person under this section shall not exceed three hundred and twenty acres. and all the tracts entered by one person must form together a compact unit, as determined by rules and regulations to be issued by the Secretary of the Interior.*

SECTION 3, ACT OF JUNE 16, 1955 (69 STAT. 138)

SEC. 3. Any person who, prior to [the date of approval of this Act, has] *June 16, 1955*, made a valid desert-land entry on lands subject to such Act of June 22, 1910, or of July 17, 1914, may, if otherwise qualified, [enter] *make on additional entry*, as a personal privilege, not assignable, [an additional tract] *upon one or more tracts* of desert land subject to the provisions of such Acts, as hereby amended, and section 7 of the Act entitled "An Act to stop injury to the public grazing lands by preventing overgrazing and soil deterioration, to provide for their orderly use, improvement, and development, to stabilize the livestock industry dependent upon the public range, and for other purposes", approved June 28, 1934, as amended (48 Stat. 1269, 1272; 43 U. S. C., sec. 315f). [Such additional tract shall not, together with the original entry, exceed three hundred and twenty acres. The holder of an additional entry authorized under this section shall comply with all the requirements of the desert-land law on the lands embraced by such additional entry.] *The additional land entered by any person pursuant to this section shall not, together with his original entry, exceed three hundred and twenty acres, and all the tracts included within the additional entry authorized by this section shall form together a compact unit, as determined by rules and regulations to be issued by the Secretary of the Interior. Additional entries authorized by this section section shall be subject to all the requirements of the desert-land law.*

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Calendar No. 2294

84TH CONGRESS } SENATE { REPORT
2d Session } { No. 2272

AMENDING MINERAL LEASING ACT

JUNE 19, 1956.—Ordered to be printed

Mr. MURRAY, from the Committee on Interior and Insular Affairs, submitted the following

REPORT

[To accompany S. 3042]

The Committee on Interior and Insular Affairs, to whom was referred the bill (S. 3042) to amend section 27 of the Mineral Leasing Act of February 25, 1920, as amended, (30 U. S. C., sec. 184), in order to promote the development of phosphate on the public domain, having considered the same, report favorably thereon and recommend that the bill do pass.

PURPOSE

The purpose of the bill is to remove the existing limitation whereby no more than 5,120 acres of land on the public domain containing phosphate deposits may be leased in any one State to any one individual or corporation. There would be no change in the total limitation, which remains 10,240 acres, which may be leased to any one individual or corporation.

HEARINGS

Extensive and complete hearings were held before the Subcommittee on Mines and Mining of the House Committee on Interior and Insular Affairs on May 23, 24, and 25, 1956, on a House bill identical to S. 3042. Appearing in support of the measure were: Monsanto Chemical Co., J. R. Simplot Co., Victor Chemical Co., Potash Company of America, American Mining Congress, Anaconda Copper Co., Montana Mining Association, and National Plant Food Institute. Testimony in opposition was offered by San Francisco Chemical Co. and Stauffer Chemical Co., which may be considered as one company due to their intimate financial relationship.

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RECOMMENDED BY INTERIOR DEPARTMENT

The Department of the Interior drafted the bill and advised passage of it as will be seen from the following letter:

SEPTEMBER 14, 1955.

Hon. RICHARD M. NIXON,
President of the Senate,
Washington, D. C.

MY DEAR MR. PRESIDENT: Enclosed is a draft of a proposed bill to amend section 27 of the Mineral Leasing Act of February 25, 1920, as amended (30 U. S. C., sec. 184), in order to promote the development of phosphate on the public domain.

We suggest that the proposed bill be referred to the appropriate committee for consideration and we recommend that it be enacted.

The second sentence of section 27 of the Mineral Leasing Act of February 25, 1920, as amended (30 U. S. C., sec. 184) provides that no person, association, or corporation shall take or hold at any time phosphate leases or permits exceeding in the aggregate 5,120 acres in any one State, and exceeding in the aggregate 10,240 acres in the United States. The proposed bill would delete the limitation of phosphate leases to 5,120 acres in any one State, though it would leave intact the overall limitation to 10,240 acres.

Nearly all the Federal phosphate lands are found in one area which extends over the four States of Montana, Wyoming, Idaho, and Utah. Throughout the area mining, marketing, and other conditions are similar, and the State boundaries are of little significance in the problems faced by phosphate miners. We do not propose to increase the aggregate of Federal lands which may be held by an individual under a phosphate lease, but we believe that it would be better to permit the lessee to have the entire 10,240 acres of leased lands within the boundaries of one State.

With a large number of companies engaged in phosphate operations on Federal lands at the present time, there is no reason to believe that permitting an increased holding in any one State would foster monopoly, or in any way be inconsistent with the system of antitrust laws which support the American system of competitive enterprise. Furthermore, the proposal to establish a new maximum of 10,240 acres on lands held under phosphate leases within the boundaries of a State would, if enacted, undoubtedly encourage many lessees of Federal lands to explore and develop larger areas than can be held under the existing statutory limitation. With the passage of time, it has become increasingly difficult to discover undeveloped mineral resources in the Nation and increasingly expensive to conduct exploratory and developmental operations with the most modern methods available. Because of the importance of minerals to the Nation's economy, it is essential that every feasible measure be adopted to encourage timely and orderly development of new sources of minerals.

Liberalization of the present acreage holdings with a view to increasing the amount of phosphate available for fertilizer and thereby supplying an expanding phosphate industry is desirable and consistent with the policy enunciated in the Mineral Leasing Act. Since June 3, 1948, when the present acreage limitation for phosphate mineral was fixed, much has been learned with respect to the extent and character of the substantial phosphate deposits. The demands of the

phosphate market increased and the market is expected to be much greater in the future than it was a few years ago. Technological advances have been made in the processing of phosphate rock, particularly with the electric furnace method, which requires large reserves for a single plant. The new methods of operation permit the mining of much larger quantities of phosphate rock by a single operation and, consequently, require that there be available a reserve of commercial rock of the size necessary for an efficient and economical operation; such quantities are difficult to obtain within the boundaries of any one State with present acreage limitation.

The Bureau of the Budget has advised that there is no objection to the submission of this proposed legislation to the Congress.

Sincerely yours,

ORME LEWIS,
Assistant Secretary of the Interior.

TESTIMONY OFFERED

Mr. H. Budge, Representative from Idaho, asked Mr. Edward Woozley, Director, Bureau of Land Management:

> I would like to ask Mr. Woozley whether there has been any change in the Bureau of Land Management since the report sent to us by the Assistant Secretary of the Interior, under date of September 14, 1955.
>
> Mr. WOOZLEY. No, sir; as far as I know, Mr. Budge, the report is still the same as given by the Department on January 25 in favor of the bill, and I am quite sure the Department feels the same and the report will be the same as last January.

Testimony from the two witnesses of opposing companies inferred that if the bill were passed it could lead to a monopoly, and also that it might encourage mining methods which would lead to waste or even loss of the phosphate minerals. These two companies do not operate electric furnace plants in the phosphate producing areas. It would appear that these two companies are more concerned with competition than the conservation of a natural resource or fear of monopoly.

In respect to the testimony that infers this legislation might lead to monopolistic practices attention is called to the following quotation from the report of the Department of Interior which reads:

> With a large number of companies engaged in phosphate operations on Federal lands at the present time, there is no reason to believe that permitting an increased holding in any one State would foster monopoly, or in any way be inconsistent with the system of antitrust laws which support the American system of competitive enterprise.

The committee is in agreement with this view.

Geological formations and distribution of mineral deposits have no concern with and do not respect State boundaries, which, after all, are nothing more than the lines of political divisions. The Western States supply only 16 percent of the phosphate production in this country; while the major portion of the additional 84 percent is produced in Florida and Tennessee. Of the 16 percent Western States production, only one-third comes from the public domain.

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Mr. Julian B. Conover, executive vice president of American Mining Congress, testified as follows:

> Handicapped as it is by reason of its adverse location to markets, the western phosphate industry must be given every incentive to develop if it is to contribute in a material way to our economy. The development of western phosphate calls for high-tonnage, low-cost operations requiring costly plant installations, which, once established, cannot be moved. Unless provided with adequate ore reserves for long life and potential expansion, the large investment required for such an installation would not be justified.

He further stated:

> Under the present law, a phosphate plant located at or near a State line, with commercial phosphate deposits on both sides of the line, could have available within economical haulage distance the full 10,240 acres of phosphate-bearing lands, and would have a marked advantage over a plant seeking to develop phosphate production at some distance from the State line, where only 5,120 acres would be available.

ADEQUATE POLICING POWERS

The Bureau of Land Management under the Mineral Leasing Act must and does determine by inspection by field engineers that the terms of the Mineral Leasing Act are complied with and that the mineral resources are not wasted. Mr. J. D. Turner, mining engineer in the Conservation Division of Geological Survey, expressed himself as being in accord with the recommendation of the Department of Interior. The principal phosphate deposits of the West are located in Idaho, Montana, Wyoming, Utah, and Nevada. Idaho has 7 areas of active operations; Montana 5; Utah 3; with 2 in Wyoming. These deposits are scattered over approximately 135,000 square miles. There are three electric furnace operations. These are costly installations which with the communities that are built up around them cannot be moved to take advantage of skimming the cream of easily mined ore as was suggested by the opponents of the bill. The cost of an integrated chemical and mining phosphate operation can run into several millions of dollars which rules out for all practical purposes duplication of plant operations. Expansion at one location encourages the use of lower grade ores and makes possible lower prices for the finished product by means of more efficient large volume operations. If it were possible to always locate a plant on or near a State boundary in the area of the phosphate deposit, there would be no argument over this bill. The location, however, is determined by economic factors which are not concerned with State boundaries. The passage of the bill is favored by the majority of the companies in the phosphate industry and also receives the wholehearted support of the Department of Interior as well as the Bureau of the Budget.

WESTERN GOVERNORS RECOMMEND

The Western Governors Mining Advisory Council met in San Francisco, November 1955 and in their report, A Proposed National Minerals Policy, made the following statement:

The western governors urge the Department of the Interior to reappraise the maximum acreage limitations presently existing on the leasing of Federal mineral lands withdrawn from location and increase the acreage to meet the requirements of modern mining and refining needs. Illustrative of such need is phosphate.

Other groups which have expressed themselves in favor of this bill are the American Mining Congress, the Montana Mining Association, the Utah Mining Association, the Colorado Mining Association, the Nevada Mining Association, the New Mexico Mining Association, and the Idaho Mining Association, as well as the many companies which have made known their views that this bill is, in their judgment, advisable and necessary. With this view the committee is in complete agreement.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, S. 3042, as reported, are shown as follows (existing law proposed to be repealed is enclosed in black brackets):

SECTION 27 OF THE MINERAL LEASING ACT OF FEBRUARY 25, 1920, AS AMENDED (30 U. S. C. 184)

* * * No person, association, or corporation, except as herein provided, shall take or hold at one time oil or gas leases exceeding in the aggregate forty-six thousand and eighty acres granted hereunder in any one State, except that in the Territory of Alaska no person, association, or corporation, except as herein provided, shall take or hold at one time oil or gas leases exceeding in the aggregate one hundred thousand acres granted hereunder; and no person, association, or corporation shall take or hold at one time phosphate leases or permits [exceeding in the aggregate five thousand one hundred and twenty acres in any one State, and] exceeding in the aggregate ten thousand two hundred and forty acres in the United States. * * *

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Calendar No. 2296

84TH CONGRESS
2d Session

SENATE

REPORT
No. 2273

THE MUTUAL SECURITY ACT OF 1956

REPORT

OF THE

COMMITTEE ON FOREIGN RELATIONS

ON

H. R. 11356

JUNE 19, 1956.—Ordered to be printed

UNITED STATES
GOVERNMENT PRINTING OFFICE
78850 WASHINGTON : 1956

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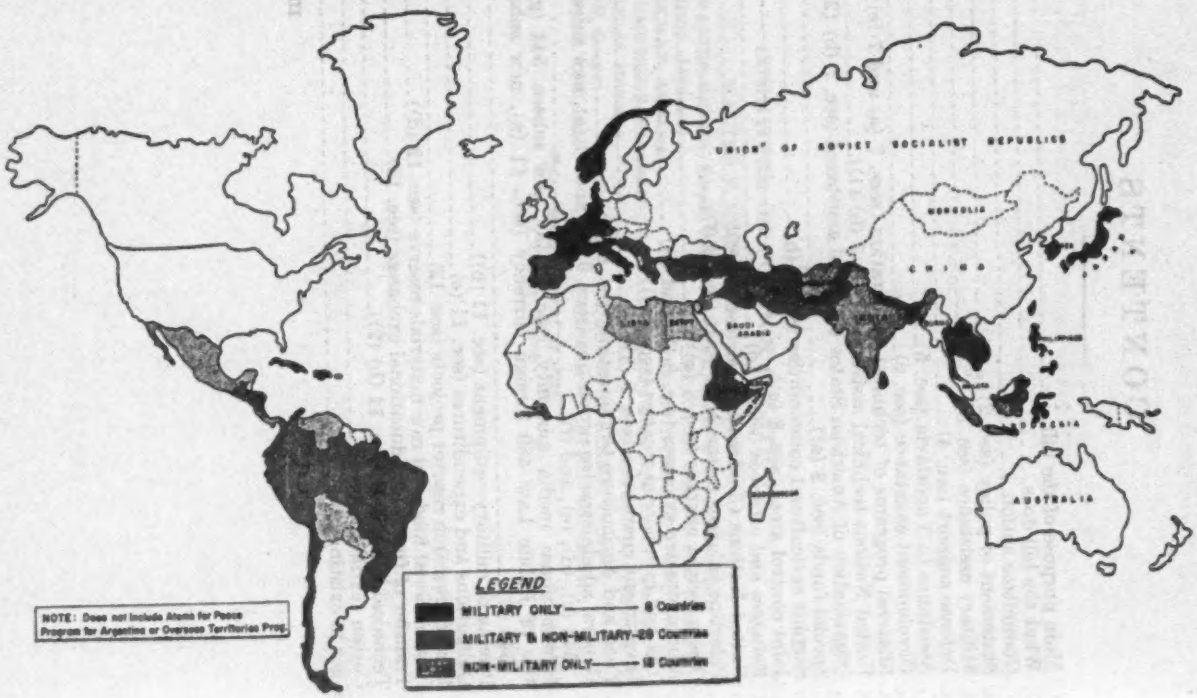

Calendar No. 2296

84TH CONGRESS, 2d Session } SENATE { REPORT No. 2273

MUTUAL SECURITY ACT OF 1956

JUNE 19, 1956—Ordered to be printed

Mr. GEORGE, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany H. R. 11356]

The Committee on Foreign Relations, having had under consideration H. R. 11356, to amend further the Mutual Security Act of 1954, as amended, and for other purposes, reports the same favorably with an amendment in the value of a substitute and recommends that it do pass.

1. MAIN PURPOSE OF THE BILL

The main purpose of the bill is to continue for another year the military, economic, and other types of assistance which together comprise the mutual security program. For this purpose, a total authorization of not to exceed $4,270,075,000 is provided. The table below shows the amounts authorized by program as compared to the administration requested and to the bill as passed by the House.

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Mutual security authorizations

	Administration request	House	Senate Foreign Relations Committee
Military assistance	$2,925,000,000	$1,925,000,000	$925,000,000
Spain	(1)	(48,000,000)	(1)
Other European countries	(1)	(402,000,000)	(1)
Replacement purchases for U. S. forces	(1)	(1)	1,600,000,000
Subtotal	2,925,000,000	1,925,000,000	2,525,000,000
Defense support:			
Europe	78,700,000	63,700,000	78,700,000
Near East and Africa	170,000,000	170,000,000	170,000,000
Asia	882,000,000	882,000,000	882,000,000
Latin America		37,000,000	37,000,000
Subtotal	1,130,700,000	1,152,700,000	1,167,700,000
Development assistance:			
Near East and Africa	63,000,000	243,000,000	63,000,000
Asia	80,000,000		80,000,000
Latin America	27,000,000		
Subtotal	170,000,000	243,000,000	143,000,000
Technical cooperation:			
Bilateral	140,500,000	140,500,000	140,500,000
Multilateral:			
UN	15,500,000	15,500,000	15,500,000
OAS	1,500,000	1,500,000	1,500,000
Subtotal	157,500,000	157,500,000	157,500,000
Other programs:			
Special fund	100,000,000	100,000,000	100,000,000
Joint control areas	12,200,000	12,200,000	12,200,000
U. N. Refugee Fund	2,300,000	2,300,000	2,300,000
Escapees	7,000,000	7,000,000	7,000,000
U. N. Children's Fund	10,000,000	10,000,000	10,000,000
Ocean freight:			
(1) Voluntary agencies	1,400,000	1,400,000	3,000,000
(2) Surplus agricultural commodities	14,000,000	14,000,000	
Control Act expenses	1,175,000	1,175,000	1,175,000
Administrative expenses	35,250,000	35,250,000	35,250,000
Special authorization, Middle East and Africa	100,000,000		100,000,000
Foreign reactor projects	5,950,000	5,950,000	5,950,000
Total	4,672,475,000	3,667,475,000	4,270,075,000
Deduct: Repeal of unappropriated authorization, President's Fund for Asian Economic Development		−100,000,000	
Net total		3,567,475,000	

[1] Not separately identified.

NOTE.—The House bill also authorizes an increase from $2 million to $3 million in the ceiling on annual United States contributions to the Food and Agriculture Organization. The Senate committee bill likewise authorizes the increase, with a proviso that United States contributions cannot exceed 31.5 percent of total contributions.

The House bill authorizes appropriations "of such sums as may be necessary" for State Department administrative expenses in connection with the act. The Senate committee bill authorizes not to exceed $7 million a year for this purpose.

2. WHAT THE BILL DOES

Besides the appropriations which are authorized by this bill, a number of changes are made in the existing basic law. The more important of these changes are:

1. The authority for military assistance is divided between funds which are intended for aid to foreign countries directly and funds which can be used only for the replacement of equipment of the United States Armed Forces which has been supplied to foreign countries.

2. Development assistance is required to be placed on a 75 percent loan basis with specified exceptions. This type of aid to Latin America is shifted to the defense support chapter of the bill and may therefore continue to be placed on a grant basis.

3. Authority to issue investment and informational media guaranties is extended from June 30, 1957, to June 30, 1967. The limitation on the total amount of investment guaranties which may be issued is increased from $200 million to $500 million. The two types of guaranty programs are separated for purposes of financing and accounting.

4. The ceiling on United States contributions to the Food and Agriculture Organization is increased from $2 million a year to $3 million a year, so long as it does not exceed 31.5 percent of the Organization's total budget.

5. Basic statutory authority is provided for certain routine expenditures which have heretofore been authorized from year to year in annual appropriations bills.

6. The uses of foreign currencies accruing under title I of Public Law 480 (Agricultural Trade Development and Assistance Act) are broadened to include (up to $5 million a year) the translation, publication, and distribution of books and periodicals abroad. The bill also requires that at least 5 percent of these Public Law 480 funds be used for the exchange of persons program.

7. A limitation of $200 million is placed on unobligated and unreserved balances which can be carried over after June 30, 1956. This is in addition to unobligated balances in the President's Fund for Asian Economic Development and in the account for the relief, rehabilitation, and resettlement of Palestine refugees.

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These and other provisions of the bill are explained in more detail in the sections which follow.

Distribution of fiscal year 1957 mutual security authorization, by region, country, title, and function

[In thousands of dollars]

Region and country	Military assistance	Defense support	Development assistance	Technical cooperation	Other programs	Total
Total, all programs	2,525,000	1,167,700	143,000	157,500	276,875	4,270,075
Europe, total		78,700			12,200	
Belgium-Luxembourg	XX					XX
Denmark	XX					XX
France	XX					XX
Germany	XX					XX
Italy	XX					XX
Netherlands	XX					XX
Norway	XX					XX
Portugal	XX					XX
Spain	XX	45,000				XX
Yugoslavia	XX	30,000				XX
Joint control areas					12,000	12,000
Interregional expenses		1,200			200	1,400
Western Europe technical exchange		2,500				2,500
Undistributed by country	XX					XX
Near East and Africa, total		170,000	63,000	34,100	100,000	
Egypt				3,800		XX
Ethiopia	XX			3,000		XX
Greece	XX	XX		1,000		XX
Iran	XX	XX		8,000		XX
Iraq	XX			2,300		XX
Israel			XX	2,000		XX
Jordan			XX	2,700		XX
Lebanon			XX	2,100		XX
Liberia				1,800		1,800
Libya			XX	2,000		XX
Turkey	XX	XX		2,000		XX
Overseas territories				1,200		1,200
Regional and undistributed	XX			2,200		XX
Special authorization for the Middle East and Africa					100,000	100,000
Asia, total		882,000	80,000	63,250		
South Asia countries, subtotal		90,000	76,000	24,000		330,217
Afghanistan				3,000		3,000
Ceylon			5,000	1,000		6,000
India			70,000	10,000		80,000
Nepal			1,000	1,000		2,000
Pakistan	XX	XX		9,000		XX
Regional and undistributed	XX	XX				XX
Far East countries, subtotal		792,000	4,000	39,250		
Cambodia	XX	XX		2,500		XX
Indonesia			4,000	8,000		12,000
Japan	XX			2,850		XX
Korea	XX	300,000		5,500		XX
Laos	XX	XX		1,500		XX
Philippines	XX	25,000		5,900		XX
Taiwan	XX	86,000		3,400		XX
Thailand	XX	30,000		4,600		XX
Vietnam	XX	XX		5,000		XX
Far East regional and undistributed	XX					XX
Latin America, total		37,000		33,850		
Argentina				50		50
Bolivia		XX		3,195		XX
Brazil	XX			4,739		XX
Chile	XX			2,521		XX
Colombia	XX			1,536		XX
Costa Rica				1,026		1,026
Cuba	XX			690		XX
Dominican Republic	XX			330		XX

Distribution of fiscal year 1957 mutual security authorization, by region, country, title, and function—Continued

[In thousands of dollars]

Region and country	Military assistance	Defense support	Development assistance	Technical cooperation	Other programs	Total
Latin America—Continued						
Ecuador	XX			1,993		XX
El Salvador				1,005		1,005
Guatemala	XX	XX		1,730		XX
Haiti	XX			1,152		XX
Honduras	XX			1,290		XX
Mexico				1,185		1,185
Nicaragua	XX			919		XX
Panama				1,195		1,195
Paraguay				1,684		1,684
Peru	XX			2,996		XX
Uruguay	XX			619		XX
Venezuela				225		225
Overseas territories				812		812
Regional and undistributed	XX	XX		1,458		XX
Organization of American States (OAS)				1,500		1,500
Nonregional programs, total				26,300	164,675	
United Nations expanded program of technical assistance				15,500		15,500
Special Presidential fund					100,000	100,000
United Nations refugee fund					2,300	2,300
Escapee program					7,000	7,000
United Nations Children's Fund					10,000	10,000
Ocean freight, voluntary relief shipments					3,000	3,000
Control Act expenses					1,175	1,175
Administrative expenses, sec. 411, Mutual Security Act					35,250	35,250
Foreign reactor projects					5,950	5,950
Interregional expenses				10,800		10,800

NOTE.—Columns may not add because of rounding.
XX denotes that assistance is contemplated but figures have been deleted for classification purposes.

3. COMMITTEE ACTION

The President's message on mutual security (H. Doc. 358) was laid before the Senate on March 19, 1956, and referred to the Committee on Foreign Relations. Between April 13 and May 31, the committee held 17 days of hearings on the proposed legislation. Eight of the hearings, and part of a ninth, were held in public session. The remainder took place in executive session but the records of these sessions were edited to delete security information and have been made public.

In all, the committee heard 72 witnesses. Among these were Secretary of State John Foster Dulles; Secretary of Defense Charles E. Wilson; Adm. Arthur W. Radford, Chairman of the Joint Chiefs of Staff; Director of the International Cooperation Administration (ICA) John B. Hollister; Assistant Secretary of Defense Gordon Gray; Adm. Lewis L. Strauss, Chairman of the Atomic Energy Commission; Gen. Alfred M. Gruenther, Supreme Allied Commander, Europe; Gen. Lyman L. Lemnitzer, commander, Far East Command; Adm. Felix B. Stump, commander in chief, Pacific; Joseph Campbell, Comptroller General of the United States; John Sherman Cooper, United States Ambassador to India and Nepal; and Senator Paul H. Douglas.

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From outside the Government, the committee heard every citizen who requested an opportunity to appear. These private witnesses included former Senator Millard E. Tydings, former United States Ambassador to Canada James H. R. Cromwell, and representatives of the American Federation of Labor-Congress of Industrial Organizations, the United Automobile Workers, Coal Exporters Association of the United States, Inc., National Federation of Independent Business, Cooperative League of the United States of America, American Farm Bureau Federation, American Superphosphate Institute, American Council of Voluntary Agencies, National Congress of Parents and Teachers, Citizens Committee for UNICEF, National Economic Council, World Development Corporation, National Farmers Union, Council for Social Action of the Congregational Christian Churches, Women's International League for Peace and Freedom, American Association of University Women, National Institute of Social Welfare, Americans for Democratic Action, American Veterans Committee, Morocco Post of the American Legion and the American Businessmen's Club of Morocco, and Friends Committee on National Legislation.

The committee considered H. R. 11356 section by section in executive session on June 13, 14, 15, 16, and 18, on which date by a vote of 13 to 2, it ordered the bill reported favorably with an amendment in the nature of a substitute.

4. STATEMENT OF POLICY (SEC. 2)

Section 2 of the bill restates the policy now embodied in section 549 of the Mutual Security Act of 1954, as amended, and adds two new subsections expanding on this policy.

Taken as a whole, this policy statement says four things:

1. Nations which have been assisted in their recovery by previous United States aid programs should share to a greater extent the burden of providing aid to countries still needing assistance.

2. Aid furnished under the act should be administered so as to assist in the attainment of self-government or independence.

3. International communism and the nations it controls endanger the peace of the world and the security of the United States. So long as this danger continues, the United States will help free nations and peoples maintain their freedom.

4. Assistance for newly independent states in Africa should be furnished in the same manner as assistance to other independent states.

Thus, the variety of programs authorized by this bill rest upon two foundations of national policy. Some of these programs are designed to protect the United States from the menace of international communism. Others go beyond a simple, negative policy of anticommunism and seek positively to promote the growth of independence and self-government in a responsible society of free nations. The bill specifically recognizes the emergence of former colonial or semicolonial areas into independent states by expressing the sense of the Congress that henceforth aid which is furnished to those states should be furnished to them in the same manner as to other independent states—that is, not through the former governing nation. And in all cases, the United States welcomes—indeed, it urges—the

participation in these continuing programs of countries which have already been helped.

The military aspects of the mutual security program are part of the national defense effort. Foreign military assistance is one of the important instruments which the United States uses to increase its own defensive strength by increasing the total defensive strength of the free world. It is one of the means by which we seek to counter the Soviet threat.

The nature of this threat has changed in the last year. The Soviets now emphasize economic and political activities relative to military. So far as our own military programs are concerned, however, the important point is that Soviet military capabilities have not been significantly weakened. Military programs must be concerned with military realities. They cannot be tailored to fit a facade of smiles and sweet talk.

But, however necessary they may be, defensive military activities of the kind authorized by this bill are essentially negative. The positive aspects of the mutual security program are those having to do with economic development and technical assistance. The changing nature of Soviet activities makes these programs more urgent, but they would be in the national interest of the United States if the Soviet Union did not exist.

Irrespective of the Soviet threat, the United States would benefit from a growing rate of economic development in countries such as, for example, India, Pakistan, and Indonesia. Markets for American products, opportunities for American investment, and sources of American imports would be increased. One could also expect a strengthening of those countries' democratic political institutions.

As this is, to a large degree, irrelevant to the Soviet threat, so also is it irrelevant to the creation of gratitude toward the United States. The success or failure of these programs is not to be measured by the popularity rating of the United States in the recipient countries. It is to be measured, rather, by the growth in these countries of institutions and conditions favorable to their national independence and to peace and stability. Such a growth will be in the national interest of the United States, and its results will endure.

The objectives—and also the complexities—of these programs thus go considerably beyond merely countering the Soviet economic and cultural offensive in developing areas of the world. But the fact that the Soviets have undertaken such an offensive makes it all the more important that the United States not withdraw and leave the field to the Kremlin by default. The bill clearly states the intention of the United States not to withdraw.

It is now 8 years since the Congress passed the Economic Cooperation Act of 1948, inaugurating the Marshall plan. In those 8 years, our foreign assistance has had both successes and failures. Despite the mistakes that have been made in carrying out these programs, the committee believes that the Congress and the American people have good grounds for satisfaction. Friends, as well as foes, of these programs should contemplate what the world would be like today, for example, if we had not come to the assistance of Greece and Turkey and of Western Europe, if we had stood aside while Korea and Formosa were overrun by Communist China, if we had done nothing to preserve the independence of Iran, if we had not supplied marginal

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help toward the success of the Indian first 5-year plan, if we had not supported the courageous efforts of Ngo Dinh Diem to create a new nation out of chaos in Vietnam.

On the basis of past performance, therefore, the prospects are good that the mutual security program will continue to yield favorable results. But here a word of caution is in order. The committee anticipates that the next few years may be more difficult in some respects than the last few. The problems are becoming subtler and more complex. The mutual security program must be adapted to meet the new circumstances.

There is room for argument as to the precise form this adaptation should take. In this connection, the committee has proposed a careful study of the mutual security program in all its ramifications so that the Senate may have the results of that study before it next year. In the committee's considered judgment, however, it would be an enormous national folly to abandon or drastically to curtail the programs authorized by this bill. There is simply no acceptable alternative to some program involving direct and continued United States interest in the economic development and political freedom of much of the non-Communist world. The committee is firmly of the opinion that any careful, realistic appraisal of the position of the United States in the world today can only result in the conclusion that the mutual security program not only promotes the national interest, but that it is affirmatively required by the national interest.

5. MILITARY ASSISTANCE (SEC. 3)

Section 3 of the bill authorizes $925 million for military assistance plus $1.6 billion for replacing equipment and materials of the United States Armed Forces furnished to foreign countries from defense stocks.

In past years, military assistance has been authorized either as a worldwide total or as a series of total figures for geographic areas. The committee this year adopted a new breakdown to give a more realistic picture of the manner in which military assistance funds are actually used and the purposes which they serve.

Under the system now prevailing, approximately two-thirds of all military assistance appropriations are spent for common items, that is, items which are used by the American Armed Forces themselves and are also furnished to foreign forces under the military assistance program. This fact has meant that military assistance funds have contributed to the modernization of American forces. When the military assistance program needs a tank for shipment abroad, for example, it places a common-item order with the Army which in turn provides the tank. Because improvements in all types of equipment are constantly being made in the course of production, the latest items off the assembly line are somewhat better than the earlier items. It is usually the earlier items which are furnished through the military assistance program, while the later items are kept by United States forces.

This is a process which has been financed to a considerable degree by military assistance appropriations, and it is this fact which is recog-

nized by the committee bill. It does not mean that the military assistance program is loaded down with obsolete or secondhand equipment. On the contrary, the policy is to furnish military assistance equipment on an as-good-as-new basis. It means simply that the military assistance program has in it, for example, more F–86 aircraft than F–100 aircraft.

It should also be pointed out that under the accounting system which now exists, the Army, Navy, and Air Force are reimbursed by military assistance appropriations for the cost of a new and often better piece of equipment than that which was furnished. Thus, to an undeterminable degree (estimated by the Comptroller General at $1 billion), the military assistance program has subsidized the procurement programs of the Army, Navy, and Air Force. Section 11 (b) of this bill (see sec. 26 of this report) changes the definition of value so that these transactions will be brought into better balance, but there will be no change in the fundamental principle involved, namely, that as one consequence of military assistance the United States Armed Forces have generally newer and better equipment than they would otherwise have.

This bill authorizes an appropriation of $925 million specifically for military assistance. This money will be largely used for services and for such things as administration, military assistance training programs, packing, crating, handling, and transportation, contributions to international military headquarters, foreign military facilities assistance, and the procurement of items not used by American forces—for example, wooden minesweepers and simpler types of weapons suited for the less well-trained and less mobile forces of some of our allies. It will also finance a portion of the advanced new weapons.

The additional sum of $1.6 billion can be used only to buy equipment and materials for the Armed Forces of the United States in replacement of equipment and materials of a corresponding value furnished from Defense Department stocks under the military assistance program. The bill authorizes replacement in advance of delivery to the military assistance program, thus at no time requiring the depletion of United States equipment which is in use. It also authorizes obligations for replacements to be incurred in anticipation of reimbursement. The replacements will not necessarily be identical items or even items of the same general type; and reimbursement, as in the past, would be made only upon delivery of end items to the military assistance program.

The distinction between these two funds is that the $925 million fund can be used for any purposes for which military assistance appropriations can now be used; the $1.6 billion fund can be used only for goods which are used by United States forces.

This arrangement should clarify the present basis of operations of the military assistance program and point up the fact that the program is one which benefits our own defense forces.

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The committee gave earnest consideration to the question of the total amount to be authorized for direct military assistance plus replacement for items furnished from United States stocks. The total carried in the bill is $2,525 million. This is $600 million more than approved by the House and $400 million less than requested by the administration.

It should be noted that the authorization for military assistance this year includes funds for direct forces support which have previously been authorized separately. Of the total amount of $2,925 million requested by the administration, it was contemplated that $374.3 million would be used for direct forces support—that is, the supply of civilian-type items (for example, gasoline, clothing, truck and automobile tires) directly to the armed forces of a country.

The net administration request for military asistance, in the sense that the term was formerly used, was $2,550.7 million. This may be compared to $1,278.0 million requested, $1,133 million authorized, and $705 million appropriated last year. For direct forces support, $317.2 million was requested, authorized, and appropriated last year, compared to the illustrative request of $374.3 million this year.

The administration's request for military assistance this year was thus roughly twice what it requested last year and more than three times what was actually appropriated. The total authorization recommended by the committee will give the administration, for military end-item assistance plus direct forces support, $1,502.8 million more than it had for those items last year, but $400 million less than it requested.

The committee believes that both the increase (as compared to last year) and the cut (as compared to the administration's request) are justified. In connection with the former, it should be remembered that such an increase was clearly anticipated when the Senate acted upon this bill last year. In its report on last year's bill (S. Rept. 383, 84th Cong., 1st sess.), the committee pointed out that the amount recommended for military assistance was "largely composed of items of current expense, and will result in reducing the forward programing of military assistance almost to a standby basis." Further, the committee report said:

> New end-item equipment is included in the 1956 program for only a few countries * * * it should be noted that the proposed 1956 program does not meet present needs; all but the most immediate and essential of those needs have been deferred to 1957 or later.

It should be stressed that the military assistance program is based upon the realistic requirements necessary to meet force goals in each of the recipient countries. A reduction in the program does not mean a reduction in the requirements; it means only a stretch-out in the time needed to fill the requirements. Despite the increase compared with last year, the proposed program for fiscal 1957 makes no provision for a buildup of forces beyond previously fixed objectives.

The program continues to be one largely of maintenance, of supplying spare parts, and of training. If these needs are not met there may

actually be deterioration in the foreign forces which we are helping to support. These are items which are largely nonpostponable. Direct forces support falls into the same category. Reductions in appropriations, therefore, have to be absorbed from new items.

On the basis of the appropriation authorized by this bill, the 1957 program is estimated to consist of:

	Millions		*Millions*
Fixed charges	$255	Facilities assistance	$25
Spare parts	510	Mutual weapons development	48
Ammunition	283	Advanced weapons	376
Direct forces support	374	Training	103
Aircraft	217	Other	20
Navy vessels	191		
Other materiel	153	Total	2,600
General purpose vehicles	45		

The most important new element this year is the category of advanced new weapons. This item accounts for $530 million in the administration's total request, reduced to $376 million in the illustrative breakdown of the reduced authorization. These weapons are not nuclear. They have to do, rather, with missiles, advanced electronics systems and things of that type. General Gruenther described these new weapons as "absolutely necessary * * * vital for the development of our military posture, and essential to our strategy" (Hearings, p. 1023).

If this portion of the program is authorized in fiscal 1957, the weapons cannot be delivered until 1959 or later. It is, therefore, important that the authorization not be longer postponed.

The committee is encouraged by statements of administration witnesses that some speedup in deliveries of previously ordered equipment is in prospect for fiscal 1957. For the fiscal years 1950 through 1956, total military assistance programed amounted to $19.7 billion. But of this amount, as of February 29, only $13.7 billion, or 70 percent, had actually been delivered. This in itself is evidence of some degree of overprograming, and it was taken into account by the committee in reducing the administration's request.

The committee also takes occasion once more to urge the Defense Department to press ahead more vigorously with activities designed to increase the maintenance capabilities of countries receiving military assistance, so as to make possible future reductions in requests for items such as spare parts and replacements.

The sum authorized by this bill for military assistance is a large one. The figures for individual countries are classified, but are available, along with other details of the program in the committee room, for any interested Senator. It can be said, however, that NATO, Korea, and Formosa account for almost two-thirds of the total.

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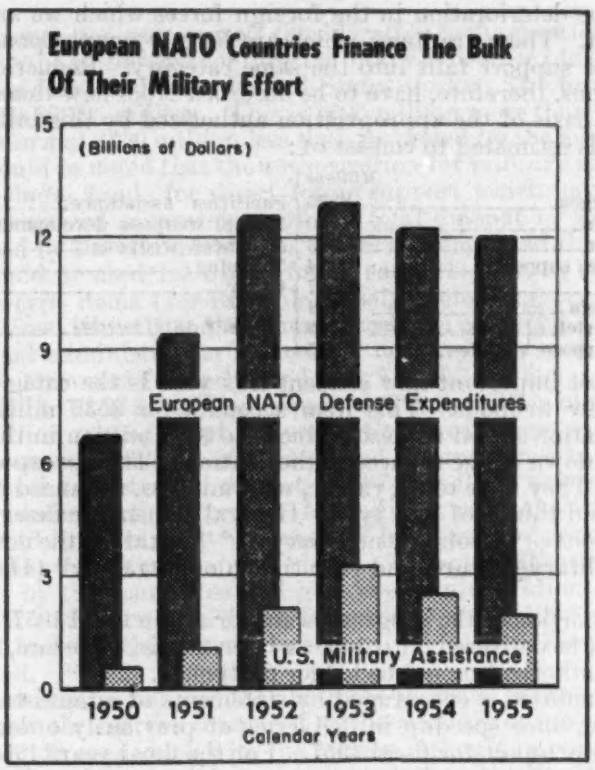

Although the committee doubts the wisdom of any substantial cuts in military assistance to these areas, it is unconvinced of the necessity for the full amount recommended by the administration. Except for NATO, there is a question as to the absorptive capacities of the countries concerned. Unless military assistance is given a higher priority within the Defense Department, there is a further question of the ability of that Department to deliver on a program of the size requested.

On balance, it is the considered judgment of the committee that the amount authorized by the bill is a reasonable minimum to accomplish the objectives of the program. It is unlikely that a larger amount could be wisely spent. A lower amount would represent an unacceptable gamble with the national security.

Section 3 (b) of the bill strikes out sections 105 (c) and (d) of the bill as well as references to these subsections in other sections of the Mutual Security Act. The stricken sections established delivery ceilings on military assistance to different geographic areas and allow a 15 percent transferability between areas. The delivery ceilings were cumulative since the passage of the Mutual Defense Assistance Act of 1949 and have become obsolete in view of the more recent practice of Congress of authorizing and appropriating military assistance funds on a worldwide basis.

6. DEFENSE SUPPORT (SEC. 4)

The bill authorizes a total of $1,167,700,000 for defense support, as follows:

Europe (excluding Greece and Turkey)	$78,700,000
Near East (including Greece and Turkey) and Africa	170,000,000
Asia	882,000,000
Latin America	37,000,000

The total is $37 million more than the administration had requested (accounted for by a transfer of aid to Latin America from development assistance to defense support) and $15 million more than the House approved (accounted for by restoration of the European program to the level requested by the administration).

The executive branch illustrative presentation shows the following unclassified country breakdown:

	Thousands of dollars
Europe:	
Spain	$45,000
Yugoslavia	30,000
Interregional expenses	2,000
Western Europe technical exchange	2,500
Far East:	
Korea	300,000
Philippines	25,000
Taiwan	86,000
Thailand	30,000

In addition, the following countries will receive defense support in amounts which are classified: Greece, Iran, Turkey, Pakistan, Cambodia, Laos, and Vietnam.

In the case of Latin America, the administration had programed development assistance, instead of defense support. Only two countries—Bolivia and Guatemala—are involved. The amount for each is classified, but the total, in the administration program, came to $27 million. In increasing this figure by $10 million, the committee intends $5 million to go to Guatemala and $5 million to be available for use generally in the area.

The committee gave serious consideration to the question of whether assistance to Latin America should be increased substantially beyond what is authorized in the bill. Proponents of greater aid to Latin America make a very persuasive case on the basis that this area, which is so close and so important to the United States, receives only small percentages of our worldwide foreign assistance. What this argument overlooks, however, is that the need for assistance of the type provided by this bill is much less in Latin America than in other parts of the world. Further, the other dollar resources available to Latin America are much greater than those available to other parts of the world. For example, Latin America earns almost $3.5 billion a year from trade with the United States. Over the period 1947–1954, United States private investments in Latin America averaged about $400 million a year. And, in addition, Export-Import Bank loans to Latin America averaged more than $200 million a year. The committee hopes that the Export-Import Bank will be able to lend even more money in the future.

In this connection, it should be pointed out that the inclusion of Latin American assistance in the defense support section of the bill

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makes it possible for this assistance to be extended on a grant basis. The bill provides a total of approximately $100 million for Latin America—$37 million for defense support, $33.9 million for technical cooperation, and an amount for military assistance which, on the basis of the administration's full request, came to $35.5 million.

Defense support is economic assistance designed to enable a country to support a larger military establishment than would otherwise be possible. Approximately three-fourths of the total authorized this year is for Asia, and of that amount more than half is for Korea and Vietnam.

As a general rule, defense support is furnished in lieu of development assistance to countries receiving military assistance. This concept is stretched somewhat in the pending bill, particularly so far as Latin America is concerned. Of the only two Latin American countries involved, one, Bolivia, receives no military assistance at all, and the other, Guatemala, receives only a very small amount. In these countries, as also in some Asian countries, such as particularly Pakistan and Iran, the purpose is in fact more economic than military.

So far as the practical effect of the assistance is concerned, it does not make very much difference whether it is called defense support or development assistance. The principal distinction is that different sets of conditions apply to the two categories. To receive defense support, a country must sign an agreement under section 142 of the Mutual Security Act providing among other things that it will—

> fulfill the military obligations, if any, which it has assumed under multilateral or bilateral agreements or treaties to which the United States is a party; * * * make, consistent with its political and economic stability, the full contribution permitted by its manpower, resources, facilities, and general economic conditions to the development and maintenance of its own defensive strength and the defensive strength of the free world; * * * take all reasonable measures which may be needed to develop its defense capacities; * * *

and

> furnish equipment and materials, services, or other assistance consistent with the Charter of the United Nations, to the United States or to and among other nations to further the policies and purpose of chapter 1 of this title [i. e., military assistance].

Nations receiving development assistance are not required to sign these agreements. But development assistance is furnished largely on a loan basis; defense support is largely on a grant basis. Thus, nations which sign section 142 agreements do not ordinarily have to repay the United States for economic aid; nations which do not sign the agreements do have to repay most of the aid.

This distinction does not apply in the case of Latin American countries which are parties to the Rio Treaty and to the Caracas Declaration against the intervention of international communism in the Western Hemisphere. All Latin American countries are parties to the Rio Treaty and all but Mexico have adhered to the Caracas Declaration.

This means that these Latin American countries may receive aid on a grant basis without signing section 142 agreements, and that, unlike other defense support funds, this aid may be used for purposes primarily directed to economic development and unrelated to military efforts.

In countries such as Korea, Vietnam, and Taiwan, defense support has a much more direct relation to military purposes. In these countries, the level of armed forces which must be maintained is far beyond the capacity of the local government. The whole military program, which is of great importance, would fail in the absence of economic support.

To a large degree, this support takes the form of supplies and equipment and of financing the import of saleable commodities which are sold for local currency which in turn is used further to carry out the purposes of the program. Supplies, equipment, and other commodities programed by the administration to be financed out of defense support funds in fiscal 1957 amount to $1,032,443,000, or almost 90 percent of the total authorized for defense support. Included are:

Grain	$107,600,000	Petroleum	$56,850,000
Cotton	82,200,000	Raw materials and semi-finished industrial products	314,843,000
Fats and oils	24,300,000		
Dairy products	24,000,000	Machinery and vehicles	285,246,000
Fertilizers	68,190,000		
Coal	23,200,000		

7. ASSISTANCE TO YUGOSLAVIA (SEC. 5)

Section 5 of the bill provides that, effective 90 days after its enactment, no assistance shall be furnished to Yugoslavia unless the President finds—

> (1) that there has been no change in the Yugoslavian policies on the basis of which assistance under this Act has been furnished to Yugoslavia in the past, and that Yugoslavia is independent of control by the Soviet Union, and (2) that it is in the interest of the national security of the United States to continue the furnishing of assistance to Yugoslavia * * *.

The committee views this section primarily as a statement of congressional concern over the state of our relations with Yugoslavia and particularly the state of Yugoslav relations with the Soviet Union. Section 141 of the Mutual Security Act of 1954, of course, forbids military assistance or defense support (the only types of aid received by Yugoslavia) to be furnished to any nation—

> unless the President shall have found that furnishing such assistance will strengthen the security of the United States and promote world peace.

The new section in this bill emphasizes the additional point that assistance to Yugoslavia is predicated upon that country's independence. The United States believed that the interests of world peace and freedom were advanced when Yugoslavia reasserted its independence from the Kremlin. The United States wants to see it retain that independence. If, unhappily, it should not, then the justification for

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United States military assistance and defense support would no longer exist.

In the committee's view, this is a determination which can be made most appropriately by the President. The course of events in Yugoslavia obviously calls for some reexamination, but it would be unwise for Congress to act with finality upon the basis of the information now available.

Some other aspects of our policy toward Yugoslavia are set forth in more detail in the following letter from the Secretary of State to the chairman of the Committee on Foreign Relations:

DEPARTMENT OF STATE,
Washington, June 13, 1956.

DEAR SENATOR GEORGE: I welcome the opportunity presented by your letter of June 6 to make it clear that the Department vigorously opposes Senate bill 4001 which seeks to cut off all United States assistance to Yugoslavia.

Within the past 6 months, the executive branch of this Government, with the participation of the President, has reviewed the question of United States policy toward Yugoslavia, and both the programs now being implemented and those proposed in the mutual security bill before your committee are consonant with and in support of the national policy thus established.

During the deliberations at all levels which preceded the final formulation of United States policy in the executive branch, all of the many and frequently complicated factors which enter into United States relations with Yugoslavia were given the most careful attention. In their own independent deliberations on mutual security programs for Yugoslavia, the members of your committee, and of the entire Senate, may find helpful the following summary of the principal considerations which weighed most heavily with the executive branch in determining the final policy adopted.

It was agreed that the American attitude toward Yugoslavia had to be formulated in the context of the overall foreign policy of the United States which seeks to meet the basic challenge to American national security and economic well-being emanating from the Soviet Union. The expansionist tendencies of the U. S. S. R. have been particularly apparent in Europe, where the U. S. S. R. now sits astride the middle of the continent and has stifled all but the illusory sovereignty of a number of once independent countries in Eastern Europe. In this area, only one nation, Yugoslavia, has had both the opportunity and the steadfastness to stake its virtual existence as an independent State on a defiance of Moscow's ambitions to dominate it, and the United States can take satisfaction from its record of support for Yugoslavia during the recent years of crisis.

It is natural, of course, that the focus of attention today rests on Yugoslavia's present position, which is symbolized in part by the visit of President Tito to the U. S. S. R. In essence, however, this visit, like the widely noted trip of the Russian leaders to Belgrade in May 1955, marks an acceptance by the Soviets of the defeat of their efforts to press Yugoslavia into the satellite mold. It is no wonder, therefore, that the Kremlin is trying to gloss over the failure of its anti-Tito policies from 1948 through 1953 by assiduously wooing Belgrade

and by working to undermine the manifold Yugoslav ties with the West built up since 1948.

Since the Yugoslav regime is a Communist one, it is understandable that its leaders now look hopefully to the Kremlin to rescue the U. S. S. R. and the worldwide reputation of communism from the disrepute to which the totalitarian system perfected by Stalin brought it. In that sense, the United States cannot overlook the tendencies in Yugoslavia toward rapprochement with the Soviet Union induced both by ideology and by the memories of long Communist Party collaboration prior to 1948. Also to be taken into account is the weakness of the Yugoslav economy which still requires much help from abroad and which cannot afford to pass up the relatively generous offers of credits and trade from the Soviet orbit. Finally, the Yugoslavs have welcomed and seek to take advantage of the normalization of their formerly beleaguered frontiers with the neighboring Soviet orbit countries.

None of this obscures the fact, however, that decisions on Yugoslav Government problems and policies are being made in Belgrade and not in Moscow. To be sure, many of these decisions in the foreign-policy field do not correspond with our own. This is partly understandable in the light of Yugoslavia's different geographical, economic, historical, and ideological circumstances. Yet there has been no credible evidence that President Tito wishes or is going to enter into a subservient status vis-a-vis the Soviet Union. Moreover, it is illogical that he should wish to do so, especially in view of his presently favorable international position vis-a-vis East and West, and of his record since 1948, unless dire economic necessity forces him to become overdependent on the U. S. S. R. without the alternative availability of American assistance. The Yugoslav portion of the pending mutual security legislation is designed to contribute toward preventing that situation from arising. Its enactment would also be a sign to other West European countries, almost all of which have cordial relations with Yugoslavia, that the United States, as of the present, sees no cause for a major shift in its Yugoslav policy. Such an American judgment would coincide with the conclusions reached lately by a number of responsible West European statesmen.

It is evident that the state of United States-Yugoslav relations has important implications for Eastern as well as Western Europe. Docile as they have been in Soviet hands, the satellite chieftains cannot fail to have secretly admired Belgrade's resistance to Moscow in the cause of national independence and to be envious of Moscow's present generosity toward Yugoslavia as compared with its parsimony toward themselves. Undoubtedly, these rulers will be anxious to take advantage of whatever greater degree of independent action is permitted them by the new Soviet leadership, and it may well be useful for them to know that the United States is holding to its record of assisting nations, such as Yugoslavia, which make efforts to assert and preserve their independence.

I am aware that there is considerable criticism in this country of the system of government now prevailing in Yugoslavia. Properly speaking, the nature of another nation's regime is of no official concern to the United States Government, provided that such regime is not associated with the worldwide movement still directed from Moscow with

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the aim of subverting the independent states not in the Soviet bloc. Yugoslavia does not now seem to be cooperating with this phase of Soviet endeavor and, indeed, gives indications of its disapproval of the continued Soviet effort to expand its orbit and "export" its revolution. Still, I should make clear that this Government recognizes that a dictatorship prevails in Yugoslavia and that an unfortunate denial of some human freedoms still persists there. On the other hand, fairness requires that this situation be compared with the Soviet-type political conditions prevailing in Yugoslavia 8 years ago, and any such comparison will demonstrate that there have been substantial ameliorations for the average citizen brought on both by the regime's critical reexamination of some of its own tenets and practices and by the influence of its expanding official and unofficial contacts with the West.

In reviewing the elements which have entered into the recent formulation by the executive branch of United States policy toward Yugoslavia, I have, to be sure, not meant to imply that this evaluation was final and definitive for the Executive. As you know, procedures are in operation within the executive branch to insure that all policies toward individual countries are kept under continuing review regarding their effectiveness and correctness, and this applies, of course, to the Yugoslav case. It is our aim to remain alert to the implications of new international developments for existing programs, and before new appropriations were obligated for Yugoslavia, the Department would in any event review the then-current situation, whether there were a congressional mandate to this effect or not. It is my hope, however, which I know the President has shared, that the Congress will not want to deprive us of the instrumentalities and funds whereby the executive branch will be enabled to pursue the flexible policy toward Yugoslavia which is needed to counter the present Soviet drive to retrieve its own failure in Yugoslavia since 1948.

Sincerely yours,

JOHN FOSTER DULLES.

8. DEVELOPMENT ASSISTANCE (SEC. 6)

This section of the bill authorizes a total of $243 million for development and other economic assistance, distributed as follows:

	Million
Near East and Africa	$63
Asia	80
Special authorization, Middle East, and Africa	100

These are the same amounts as requested for these purposes by the administration and as passed by the House. The bill carries a proviso that 75 percent of these funds may be used only on a loan basis with two exceptions: (1) when they are used to finance sales of surplus agricultural commodities; and (2) when they are used for a regional project involving two or more beneficiary nations. And, no more than 25 percent can be used for bilateral dollar expenditures.

This loan requirement deserves emphasis. The committee seriously considered requiring all of these funds to be used on a loan basis. It did not do so because, in the present state of the world, such a requirement would defeat the purpose of the bill in a few countries. Some latitude must be allowed for grants.

The committee feels, however, that it is important to establish the loan principle in programs of this character. The conduct of these programs on a loan basis should do much to improve political relations between the United States and the other countries involved by removing the irritant which is inevitably present in the donor-grantee relationship. There is considerable evidence that the other countries themselves would prefer to get loans than to receive gifts. The committee realizes that the borrowing capacity of many of the countries involved is too low to support hard loans of the magnitude authorized. The bill, however, authorizes the President to make the loans "on such terms and conditions * * * as he may specify." The committee does not expect the President to take a banker's approach to this matter. On the contrary, it expects the bulk of the loans to be for long terms at low interest rates.

In this way, assistance is more likely to be tied to specific projects, and is, therefore, more likely to be more effective in accomplishing its purpose. The loan provision should likewise serve to put program planning on a more concrete basis.

The $63 million authorized for development assistance in the Near East and Africa is intended for Egypt, Israel, Jordan, Lebanon, and Libya. The amounts for each country are classified, but these amounts, together with supporting data, are available in the committee room for the inspection of any interested Senator. In general, however, it may be said that plans contemplate such projects as the supply of power transmission and telephone equipment, railroad rolling stock, highway machinery, irrigation surveys, grain elevators, and roads to link agricultural producing areas with markets. In the case of Israel, the assistance will largely consist of commodity imports, as German reparations are supplying most of Israel's capital goods requirements:

The $80 million authorized for Asia consists of:

Ceylon	$5,000,000	Nepal	$1,000,000
India	70,000,000	Indonesia	4,000,000

The Indian program is closely related to the Indian Government's own development efforts. The first 5-year plan, which ended in the spring of 1956, was aimed primarily at increasing Indian food production and in this respect it exceeded its goals. There was a shortfall, however, in the industrial phases of the plan. The second 5-year plan, now getting underway, emphasizes industrial development. In some respects, it will present more difficult problems than the first plan.

It is important to the interests of the United States that India succeed in her efforts for economic development. American assistance plays a small but crucial part in the program. The second 5-year plan calls for total public expenditures on development over the 5-year period of $10.1 billion. This may be compared with proposed United States assistance of $80 million in the first year ($70 million development assistance plus $10 million technical cooperation). American aid thus amounts to less than 5 percent of the Indian Government's own efforts on an annual basis.

The aid program in fiscal 1957 will include grain storage, power projects, transportation facilities, and a continuation of the spectacularly successful malaria control program.

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The special authorization of $100 million for the Middle East and Africa is designed, over and above the individual country programs, to give the President authority and funds to take advantage of opportunities which may present themselves to contribute to peace and stability in the area. Although the fund may be used for individual country assistance and is not limited to regional projects, it is the hope of the committee that it can be used to promote the economic growth of the area as a whole. There is no need to emphasize the extremely critical and unsettled condition prevailing in the Middle East today. The situation in Africa is also changing rapidly and projects which are not now foreseeable may develop quickly in the future.

The special authorization for the Middle East and Africa may be used for defense support, for development assistance, for technical cooperation, or for relief, rehabilitation or resettlement of Palestine refugees. Regardless of purpose, however, it must be used in compliance with the 75-percent loan requirement.

Throughout the Middle East and Africa as well as Asia, there is the need for the kind of flexibility provided by this fund and for the imaginative administration required to take advantage of it. This is why the committee struck from the House bill the paragraph repealing the President's Fund for Asian Economic Development. This fund was authorized last year (sec. 418 of the Mutual Security Act) in the amount of $200 million, available until June 30, 1958. Only $100 million was appropriated last year, leaving an unappropriated authorization of $100 million. By virtue of the committee's action, this authorization remains in the law, subject to appropriation this year or next year.

Finally, it should be noted that section 6 (a) (1) of the bill also adds a new subsection (e) to section 201 of the Mutual Security Act. This new subsection authorizes the use of development assistance funds for nonadministrative expenses to assist in carrying out functions delegated to the International Cooperation Administration under the Agricultural Trade Development and Assistance Act (Public Law 480). As sales of surplus agricultural commodities under title I of Public Law 480 increase, the tasks of ICA also increase in this respect. It is contemplated that the funds authorized under this section of the bill will be used for such nonadministrative expenses as, for example, engineering advice on how best to use those foreign currencies accruing under Public Law 480 for which ICA is assigned responsibility.

9. BILATERAL PROGRAMS OF TECHNICAL COOPERATION (SEC. 7 (a) AND 7 (c))

The bill authorizes appropriation of a total of $157,500,000 for various programs of technical cooperation in fiscal 1957. Of this amount, $140,500,000 is for bilateral programs, $15,500,000 is for the United States contribution to the United Nations expanded technical-assistance program, and $1,500,000 is for the United States contribution to the technical assistance program of the Organization of American States.

In the illustrative programs presented to the committee by the executive branch, it is proposed to use the $140.5 million in bilateral technical assistance funds as follows:

[In thousands of dollars]

Near East and Africa:	
Egypt	3,800
Ethiopia	3,000
Greece	1,000
Iran	8,000
Iraq	2,300
Israel	2,000
Jordan	2,700
Lebanon	2,100
Liberia	1,800
Libya	2,000
Turkey	2,000
Overseas territories	1,200
Regional and undistributed	2,200
Subtotal	34,100
Asia:	
South Asia:	
Afghanistan	3,000
Ceylon	1,000
India	10,000
Nepal	1,000
Pakistan	9,000
Subtotal	24,000
Far East:	
Cambodia	2,500
Indonesia	8,000
Japan	2,850
Korea	5,500
Laos	1,500
Philippines	5,900
Taiwan	3,400
Thailand	4,600
Vietnam	5,000
Subtotal, Far East	39,250
Subtotal, Asia	63,250
Latin America:	
Argentina	50
Bolivia	3,195
Brazil	4,739
Chile	2,521
Colombia	1,536
Costa Rica	1,026
Cuba	690
Dominican Republic	330
Ecuador	1,993
El Salvador	1,005
Guatemala	1,730
Haiti	1,152
Honduras	1,290
Mexico	1,185
Nicaragua	919
Panama	1,195
Paraguay	1,684
Peru	2,996
Uruguay	619

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[In thousands of dollars]

Latin America—Continued	
Venezuela	225
Overseas territories	812
Regional and undistributed	1,458
Subtotal, Latin America	32,350
Interregional expenses	10,800
Grand total	140,500

By major activity field, the following programs are proposed:

[In thousands of dollars]

Agriculture and natural resources	31,828
Industry and mining	15,836
Transportation	7,411
Labor	3,233
Health and sanitation	16,380
Education	25,303
Public administration	9,862
Community development, social welfare, and housing	5,245
General and miscellaneous	14,602
Other costs	10,800
Total	140,500

In terms of major cost components, the program breaks down like this:

[In thousands of dollars]

Grants to cooperative services	8,109
Supplies and equipment	15,693
United States employed technicians	43,538
Contract services	33,161
Participants (i. e., foreigners trained in United States)	18,906
Other costs	21,093
Total	140,500

In its annual reviews of the technical cooperation program, as well as in special studies which it has made from time to time, the committee has been impressed with the value of this program to the United States national interest. The committee has likewise been impressed with the widespread—indeed, the almost universal—public support for this program within the United States. The program has also been supported annually by Congress at approximately the level recommended for 1957.

Although the administration of the program has not been without its faults, the committee is convinced that on the whole the program is a sound one and should be continued as recommended in the pending bill.

The committee is pleased to note that the item for supplies and equipment is only 11.2 percent of the total, the lowest proportion in recent years. The point has frequently been made that technical cooperation is a program for extending knowledge and skills. As such, it does not call for large amounts of supplies and equipment, though some minimal quantities are necessary for purposes of demonstration. The low percentage of supplies and equipment planned for 1957 is welcome evidence of a reversal of an earlier tendency to make technical assistance an economic impact program rather than a training program.

The funds authorized will provide for a total of 4,389 technicians to be sent abroad by the United States and for 5,731 foreign trainees to come to the United States or elsewhere for training. Of the technicians, 2,909 will be Government employees and 1,480 will be provided for by contract. The committee notes that the cost of Government-employed technicians will average $14,967 each, while the cost of contract technicians will average $22,406.

The higher cost of contract technicians tends to confirm the impression of this committee's Subcommittee on Technical Assistance Programs as previously reported to the Senate (S. Rept. 1956, May 1956) that contracts—

> have been resorted to in many instances as a personnel recruitment device and as a means of avoiding Government salary ceilings.

The committee takes this occasion to underwrite the subcommittee's recommendation that this aspect of private contracting procedures be reviewed by the International Cooperation Administration and the Department of State.

At the same time, the committee recognizes that private contracting has an important role in the technical cooperation program and it does not wish to discourage in any way the use of such contracts where appropriate.

Section 7 (c) of the bill makes a technical, but important, amendment to existing law in this regard.

Section 307 of the Mutual Security Act of 1954, as amended, now provides, among other things, that a contract may "run for not to exceed three years." Section 7 (c) of the bill would amend that section to provide that such contracts may "extend at any time for not more than three years."

The purpose of the amendment is to make it clear that such contracts may be renewed for periods of not more than 3 years. This is particularly important with regard to college contracts, i. e., those which are made between an American college and a foreign institution and which are underwritten by ICA. Many of these contracts involve long-term projects which are not completed within 3 years. The contracts should be extended in order not to lose the benefit of the work already done and the relationships already established. It is important, also, that American universities participating in these contracts know what to expect so that they can plan for their own future.

The amendment proposed by this bill does not change the requirement of existing law that the contracts are "subject to any future action of the Congress."

In this connection, however, the committee feels impelled to express its dissatisfaction with ICA administration of the college contract program. ICA should give urgent attention to developing procedures for the more rapid servicing of university contracts and for avoiding the intolerable delays which have characterized this program heretofore.

This program has great potentialities, but if colleges are to be expected to participate, they have a right to know what their status is and what ICA's intentions are. Indeed, they must know if they are to

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plan their own programs intelligently. This situation demands prompt corrective action.

10. UNITED NATIONS TECHNICAL ASSISTANCE (SEC. 7 (b) (1))

The bill authorizes $15.5 million as the United States contribution to the United Nations expanded technical assistance program. The contribution will be made from fiscal year 1957 funds for the United Nation's calendar year 1957 program. It will amount to not more than 50 percent of the total contributions to the U. N. program's central fund. This is the same ratio as is being contributed in 1956.

The following table shows the steady growth of the United Nations program accompanied by a decline in the United States percentage contribution:

[In millions of dollars]

Calendar year	Other governments	United States	Total	United States percentage
1950–51	8.0	12.0	20.0	60.0
1952	7.4	11.4	18.8	60.0
1953	9.6	12.8	22.4	57.0
1954	11.4	13.9	25.3	55.0
1955	13.0	15.0	28.0	53.6
1956	[1] 14.5	[1] 14.5	29.0	50.0
1957	[1] 15.5	[2] 15.5	31.0	50.0

[1] Estimated.
[2] Proposed.

This trend, it seems to the committee, is an entirely healthy one and should be continued.

Although the U. N. program operates in substantially the same fields of activity and in many of the same countries as the United States bilateral program, the two programs supplement, rather than duplicate, each other. In certain fields and in certain situations, each has advantages over the other. Among the more important advantages of the U. N. program are:

1. Advice and assistance rendered under multilateral auspices are more acceptable in some countries. The U. N. can frequently enter situations where the United States, for political reasons, cannot. The U. N. can consequently bring about results which are in the national interest of the United States but which the United States itself could not achieve.

2. It is frequently easier for the U. N. to recruit qualified technicians in countries other than the United States. This is particularly the case in such fields as tropical medicine. Foreign technicians also sometimes have language skills not abundantly available in the United States. Finally, foreign technicians sometimes have fewer problems of personal adjustment. This is especially true of technicians from countries in an intermediate stage of development working in less well-developed countries.

3. Participation in the multilateral U. N. program has important political advantages to the United States. It demonstrates that we are willing to join with other nations in cooperative endeavors for the improvement of living standards. Curtailment of United States support of the U. N. program would, in the opinion of the committee, have seriously adverse political consequences for the United States.

11. ORGANIZATION OF AMERICAN STATES TECHNICAL ASSISTANCE (SEC. 7 (b) (2))

The bill authorizes $1,500,000 as the United States contribution, in fiscal year 1957, to the calendar year 1957 technical cooperation program of the Organization of American States. This is the same amount as was appropriated for 1956, but it is anticipated that actual contributions in 1956 will amount to only $1,200,000. This arises because of the United States policy against contributing more than 70 percent of the total. The committee deems it advisable that the full amount of $1.5 million be approved, however, so that it will be available if contributions from other countries increase.

The OAS technical cooperation program consists of seven regional projects in the fields of economic statistics, housing, rural education, natural resource evaluation, children's welfare, agriculture, and foot-and-mouth disease control.

The program is relatively small, dollarwise, but one with important economic and political benefits to the United States. In the judgment of the committee, it deserves continued support at the scale recommended.

12. SPECIAL FUND (SEC. 8 (a))

Section 8 (a) of the bill increases from $50 million to $150 million the amount of funds otherwise made available under the act which can be used by the President in his special fund. It likewise increases the amount which can be used in any one country from $20 million to $30 million. Under this authority and within its limitations, the President may use any funds made available under the act for purposes deemed essential to the security of the United States without regard to the requirements of the Mutual Security Act or any other act for which funds are authorized by the Mutual Security Act.

The bill also authorizes a separate appropriation of $100 million for the special fund, in addition to the authority to use $150 million of other funds available under the act.

The committee deems this provision of great importance in investing the Executive with the necessary latitude and flexibility to meet international emergencies and new requirements which may arise during fiscal year 1957. It has been demonstrated by past operations that this special fund is needed to deal with unforeseen contingencies, and with those programs which, at the time of congressional presentation, were not firm enough to be included.

Examples of the type of action made possible by this fund during fiscal 1956 are hurricane relief in Haiti, flood relief in India and Pakistan, additional requirements of Korea, and relief necessitated by the unusually severe winter in Europe.

In view of the recent Soviet maneuvers in the field of economic and technical assistance, it is important that the administration retain its capacity to move quickly in emergencies and to take advantage of new opportunities as they develop during the fiscal year.

A technical amendment is also made in the language of section 401 of the Mutual Security Act. This section, among other things, authorizes assistance to refugees from Soviet bloc areas, including "Com-

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munist-dominated or Communist-occupied areas of Germany and Austria." In recognition of the attainment of Austrian independence and the withdrawal of Russian occupation forces since this section was first enacted, the words "and Austria" are deleted.

13. SURPLUS AGRICULTURAL COMMODITIES (SEC. 8 (b))

Mutual security legislation for fiscal years 1955 and 1956 (sec. 402) required that not less than $350 million and $300 million respectively should be used to finance the export and sale for foreign currency of surplus agricultural commodities of the United States. For fiscal 1957 the required minimum, approved by the committee, is $250 million.

The reason for this declining trend lies in the continuing shift in emphasis of the mutual security program from Europe to Asia. The less developed countries, now recipients of the greater part of United States assistance, are largely agricultural, and some of them are themselves looking for markets for their own agricultural production. These countries, moreover, need aid for other purposes which cannot be met through surplus commodities. Inasmuch as the emphasis of the aid program will remain on underdeveloped areas, there will be fewer opportunities to use agricultural commodities.

The committee emphasizes, however, that the $250 million requirement of the bill is a minimum. The administration should take full advantage of whatever opportunities develop during the year for disposing of more than the required amount of surpluses.

It should be noted that actual sales of surplus agricultural commodities have in the past exceeded the requirements of section 402. In fiscal 1955, sales amounted to $467 million against a requirement of $350 million, and in 1956, it is anticipated that such sales will total $349 million against a requirement of $300 million.

The estimated composition of the fiscal 1957 program is:

	Million
Bread grains	$110.7
Cotton	93.2
Fats and oils	12.3
Coarse grains	9.0
Dairy products	21.0
Other	3.8
Total	250.00

14. JOINT CONTROL AREAS (SEC. 8 (c))

For special assistance in joint control areas, the administration requested and the committee approved an authorization of $12,200,000. This compares with $21 million authorized and appropriated for fiscal year 1956.

The assistance contemplated is largely in Berlin. This city, isolated from West Germany, has long been of unusual importance and concern to the three Western occupation powers, which still carry the responsibility for the city. Its isolation also produced unusual problems, which make continued assistance necessary. Although unemployment has been reduced, it still amounts to 14 percent of the labor force. The city consumes more than it produces, leaving a $400 mil-

lion gap between exports and imports. The situation is further aggravated by the steady influx of refugees from the eastern zone of Germany.

Although the Federal Republic of Germany has increased annually its assistance to the city, now at about $300 million a year, marginal outside economic help is still required. Morally, and as a result of responsibilities retained by the three Western occupying powers under the Paris-Bonn agreements, continuation of this assistance—on a reduced basis—is unquestionably necessary.

Although Austria has now happily regained its independence, it comes under the definition of joint control areas in section 403 of the Mutual Security Act of 1954—namely, "nations and areas for which the United States has responsibility at the time of the enactment of this act [i. e. August 26, 1954] as a result of participation in joint control arrangements * * *" A small technical exchange program for Austria is planned with the funds authorized under this section for 1957."

15. REFUGEES AND ESCAPEES (SEC. 8 (d))

For United States contribution to the United Nations Refugee Fund (UNREF), the executive branch requested and the committee approved an authorization of $2,300,000 to be appropriated for fiscal 1957. Of this amount, $1,500,000 will cover the United States' calendar year 1956 contributions and $800,000 will be the contribution for the first half of 1957. It is desirable that at least part of the calendar 1957 contribution be authorized and appropriated in advance so that the management of the fund will have a firmer basis on which to plan.

The appropriation authorized in this bill will enable the United States Government to make a firm commitment for the first 6 months of the next year when the annual pledging conference is held in the fall.

UNREF was established for a 4-year period by the General Assembly of the United Nations in 1954 to deal with the problem of the remaining World War II refugees. Last year, after less than a year of active operations, UNREF was awarded the Nobel Peace Prize for its worthy humanitarian efforts on behalf of these residual refugees.

As the committee pointed out in its report last year, UNREF's task is a difficult one because a great number of the remaining refugees are unproductive due to age, illness, or other disabilities. Institutional care is frequently the only solution. A further complicating factor is that most of the refugees are concentrated in the already overpopulated countries of Austria, Greece, Italy, and Germany. Several small countries, however, such as the Netherlands, Sweden, Denmark, Norway, Switzerland, and Ireland, have been taking these so-called difficult cases in increasing numbers for permanent institutional care.

When the UNREF authorization was considered last year the administration stated that it intended to limit the United States contribution to one-third of the total contributions to the central account. This was endorsed in the report of the Foreign Relations Committee, but no statutory limitation was set. It is now proposed to compute the one-third United States contribution on the basis of total contributions to the central account plus expenditures made by governments accepting refugees for institutionalization. This latter category would include only costs undertaken on behalf of the "difficult cases" and not

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other local expenses of countries of first asylum. The administration expects that such computation might encourage further acceptance of difficult cases by the participating countries. It would also constitute recognition of their service to humanity. The new formula seems to the committee to be a reasonable one.

Through December 31, 1955, UNREF aided a total of 23,356 refugees. The target program for 1956 contemplates aid to 38,810. In both cases, permanent solutions are found for about two-thirds of those aided. The cost of the program through December 31, 1955, was $3.1 million. The target for 1956 is $6.6 million.

In view of the vigorous redefection campaign by the Soviet Union designed to lure refugees and escapees back to their countries of origin, it appears particularly important that the free world maintain a program designed to help them find a permanent place in society. The committee agrees with the statement issued by the White House on May 24, 1956, that—

> the right of asylum is one of the treasured traditions of free peoples. The United States intends to continue firmly to adhere to and uphold this principle.

For the escapee program the Administration requested and the committee approved $7 million for fiscal year 1957 operations. In fiscal year 1956 $6 million was authorized and appropriated for this purpose.

The escapee program is an effort to aid those persons who have escaped from Communist countries since 1948. These people are living testimony of Communist oppression and ruthlessness. They deserve our assistance in finding a place in the free world. Among them, as among other refugees, the Communists are working with enticements and false promises to persuade them to return to their countries of origin. These activities make it doubly important for the United States not to fail them now.

It is estimated that the caseload of 30,745 escapees as of December 31, 1955, will have been reduced to 18,105 by the end of this year and to 12,840 by December 31, 1957. This is made possible by the decline in additions to the caseload. It should be pointed out, however, that past estimates have been highly unreliable. During last year's congressional presentation, for example, the executive branch estimated the caseload as of the end of 1955 at 19,850, but it was in fact 30,745.

The Administration states that a reduction in appropriations is not feasible at this time. Resettlement is more difficult and therefore more costly. A larger percentage of the remaining escapees on the rolls are older persons requiring institutional care. There is also planned a small increase in the Far Eastern program.

The escapee program is largely carried on by United States voluntary foreign relief agencies under contract with the State Department, using their own resources as well as local government contributions.

16. UNITED NATIONS CHILDREN'S FUND (SEC. 8 (e))

The committee recommends $10 million, the full amount requested by the executive branch, for the calendar year 1957 contribution to the United Nations Children's Fund (UNICEF). Last year $14,500,000 was appropriated for this purpose, of which $4.8 million was

for the second half of calendar year 1955 and $9.7 million was for all of calendar year 1956.

In terms of percentages of the total, the United States contributions have been progressively decreasing from 71 percent in 1952 to 57.5 percent in 1956 with 55 percent proposed in 1957. At the same time contributions from other governments have risen from $2.7 million in 1952 to an estimated $7.2 million in 1956 and $8.2 million in 1957. If local contributions to UNICEF projects, which amounted to $27 million last year, are added to these figures, the relative United States contribution is reduced to 21 percent.

During the past year, UNICEF continued its farflung humanitarian operations, reaching more than 31 million mothers and children, mainly in Asia, Africa, and Latin America. A summary table of its calendar year 1955 activities is reprinted below.

United Nations Children's Fund summary of beneficiaries in 1955

Number of programs aided by UNICEF in 1955	264
Number of countries and territories assisted	92
Number of beneficiaries:	
BCG antituberculosis vaccination (children vaccinated)	16,521,000
Antimalaria campaigns (children and mothers protected)	6,107,000
Yaws control (children and mothers treated)	1,660,000
Trachoma control (children treated)	1,131,000
Feeding through school lunches and maternal and child welfare centers (peak number of children receiving daily ration)	3,000,000
Emergency feeding (peak number of children receiving daily ration)	2,700,000
Total	[1] 31,129,000

[1] Not included in the above are the many children and mothers who receive benefits (other than milk) from the over 10,000 maternal and child welfare centers, clinics, and children's and maternity hospitals aided by UNICEF. There are still more beneficiaries from UNICEF assistance to vaccine production plants, leprosy control, communicable disease control, and milk-drying and pasteurization plants.

The UNICEF programs are well worthwhile and deserve the continued support, not only of the United States but also of other members of the United Nations.

17. PALESTINE REFUGEES IN THE NEAR EAST (SEC. 8 (f))

Last year Congress authorized the appropriation of $65 million for the fiscal year 1956 for contributions to the United Nations Relief and Works Agency for Palestine Refugees in the Near East. Of this amount, $62 million was appropriated, but only $16.7 million was expended due to lack of progress on the rehabilitation program. There remains an unobligated balance of $45.3 million.

Section 8 (f) of the committee bill amends last year's authorization by striking out the words "for the fiscal year 1956" so as to remove all doubt that this unobligated balance will continue to be available.

In the past, the United States contribution for the relief of these refugees has amounted to $16.7 million a year. During fiscal year 1957, this will be increased to $17.5 million. The increase is accounted for by two factors: (1) the number of refugees is increasing, due to an excess of births over deaths and to the continued failure of resettlement plans; and (2) the United States contribution will be made partly in the form of commodities, largely flour, at prices higher than

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the open market. The United States contribution amounts to approximately 70 percent of contributions from all sources. The committee felt last year that this was justified but at the same time it believed "that greater effort might be made to increase worldwide participation in the program." The committee still maintains this view.

Attempts to reach agreement on rehabilitation and resettlement programs have, since 1949, been marked by alternating periods of hope and of frustration. Last year, agreement on a number of projects, it was hoped, would be realized during fiscal year 1956. Once again, however, such agreements were not forthcoming. The committee cannot emphasize too strongly its belief that indefinite relief operations lead only to deterioration in the morale of the refugees and in the political situation in the Near East. It regards as of utmost importance the compelling necessity of reaching agreement between the nations of the area and beginning the implementation of resettlement projects.

After the United States contribution to relief in fiscal year 1957, there will remain a balance of $27.8 million which will again be set aside for rehabilitation projects if they can be undertaken.

18. OCEAN FREIGHT CHARGES (SEC. 8 (g))

Section 8 (g) of the bill authorizes $3 million for the payment of ocean freight charges on relief goods shipped by the voluntary agencies.

The administration requested, and the House approved, $1.4 million, which, it was estimated, would pay for shipment of about 57 million pounds of relief supplies, valued at an estimated $20 million. The voluntary agencies bear the costs of soliciting, packaging, and transporting the goods to United States ports. The receiving country, for its part, normally provides duty-free entry of the relief shipments and pays for transportation from the foreign port to final destination. Thus, for a relatively small sum, a great deal of good is accomplished. Public 540, the Agricultural Act of 1956, makes other provisions for these payments in regard to surpluses made available by the Commodity Credit Corporation. These account for the bulk of the surpluses involved, and the committee, therefore, deleted the separate authorization of $14 million from the mutual security bill. There remain, however, some surpluses which are acquired and shipped by the voluntary agencies independently of the CCC. In order to provide for ocean freight payments on this category of surpluses, the committee increased the other authorization from $1.4 million to $3 million.

19. ADMINISTRATIVE EXPENSES (SEC. 8 (h) AND (i))

Battle Act.—The Mutual Defense Assistance Control Act is administered by the Director of International Cooperation, and appropriations for the expense of administering it are, therefore, authorized in the Mutual Security Act. The present bill contains $1,175,000 for such expenses—the same amount that was appropriated last year.

This is used for ICA expenses and for partial reimbursement of State and Commerce Department outlays in connection with Battle Act activities. These agencies, as well as the Department of

the Treasury and intelligence units, finance other Battle Act operations out of their regular budgets.

International Cooperation Administration.—The committee recommends $35,250,000, the full amount requested, for expenses of administering the nonmilitary programs. Expenses for the administration of the military programs are absorbed by the Department of Defense from military assistance funds. For fiscal 1956, the Congress appropriated $33,500,000 for administration but actual expenses will be $34,845,000 (the difference being met by transfers from other appropriations). The funds requested this year represent a small increase, therefore. This is needed for these reasons: (1) the Federal Government employee pay increase; (2) too rapid staff reductions in past years, some of which had to be refilled; and (3) inflationary trends overseas resulting in greater operating costs.

The committee, in approving this amount, desires the International Cooperation Administration to give the closest attention to the recommendations made by the Comptroller General of the United States, before this committee on May 21, 1956, particularly as they relate to planning programs beyond the agency's capacity for carrying them out, to overestimating obligations, and to a lack of advanced planning.

Administrative expenses for Agricultural Trade Development and Assistance Act of 1954.—A new item of $1,500,000 is contained in the bill as approved by the committee this year for administrative expenses arising from ICA's administration of foreign currencies received for sales of surplus agricultural commodities under title I of Public Law 480 (the Agricultural Trade Development and Assistance Act). No provisions for such expenses are made at the present, and it is felt desirable to do so in view of the increasing scope of Public Law 480 activities. As of March 31, about $472 million worth of Public Law 480 foreign currencies were under ICA administration, and it is estimated that this figure may reach $800 million by the end of the fiscal year.

Department of State expenses.—A new provision has been added to authorize the appropriation of not more than $7 million in each fiscal year for administrative expenses which are incurred for normal functions of the State Department relating to mutual security activities. In the past, these expenses have been in the neighborhood of $6 million a year and have been met from ICA's fund for administrative expenses. The new subsection makes it possible for the Department of State, if it should so desire, to request these funds in its own annual appropriation bill. If this arrangement is followed in fiscal 1958, there should be a corresponding reduction in ICA administrative expenses.

20. TAX AND COMMERCIAL TREATIES (SEC. 8 (j))

Section 413 of the existing law deals with encouragement of free enterprise and private participation in achieving the objectives of the Mutual Security Act. In subsection (b) (2) of that section, the President is directed to

> accelerate a program of negotiating treaties for commerce and trade, including tax treaties, which shall include provi-

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sions to encourage and facilitate the flow of private investment to nations participating in programs under this act.

The pending bill adds "the equitable treatment" of private investment in participating countries as one of the objectives to be encouraged and facilitated in these treaties.

21. INVESTMENT GUARANTIES (SEC. 8 (k))

The bill, in section 8 (k) makes three changes in the investment guaranty program now provided for in section 413 (b) (4) of the Mutual Security Act. These changes are:

1. Authority to issue guaranties is extended from June 30, 1957, to June 30, 1967. This should facilitate the negotiation of guaranty agreements with foreign countries, some of which have contended that the prospective early expiration of the program renders their participation of little significance.

2. The limitation on the face value of outstanding guaranties is increased from $200 million to $500 million. This increase is even greater than it appears. The present $200 million limit applies to investment guaranties plus informational media guaranties. The proposed $500 million limit applies only to investment guaranties, informational media being dealt with separately. (See sec. 11 (a), new subsection 544 (g) of the bill, sec. 24 of this report.) Further, under existing legislation, issuing authority is diminished by the face amount of every guaranty written; only when a guaranty is canceled, reduced, or expires is issuing authority restored. Under the bill, issuing authority will also be increased when dollars are received by the Government after June 30, 1955, for foreign assets which it acquires when it makes a payment under a guaranty. The bill also makes these funds available for paying off other guaranties.

3. For guaranties issued after June 30, 1956, the bill establishes a fractional reserve instead of the full reserve now required. Guaranties are now backed by notes issued to the Treasury in an amount equal to the amount of the guaranties. By the end of the current fiscal year, it is estimated that $138.5 million of the existing note issue authority will have been utilized, leaving $61.5 million together with $1.5 million in collected fees, or a total of $63 million. The bill increases that sum to $100.5 million by authorizing the Director of the International Cooperation Administration to issue additional notes in an amount not to exceed $37.5 million. Thus, the bill provides a total reserve of $100.5 million against the maximum face value of guaranties of $500 million. This is in accord with insurance practice. The investments protected by the guaranties are widely dispersed geographically, and it is unlikely that all guaranties in all countries will be invoked. Further, it is not anticipated that payments made in discharging liability under the guaranty contracts will be a complete loss. When payments are made by the United States, it is subrogated to the investors' claims, and any proceeds obtained from disposing of them become available, under the bill, for payments on account of other guaranty contracts. Finally, inasmuch as many investors obtain convertibility and expropriation guaranties to safeguard the same investment, it is hardly likely that both guaranties in a given case

would be called on; yet they are now both charged in full to the guaranty authority.

The committee believes these considerations to be sound and considers that, in the light of prevailing circumstances, the reserve fixed by the bill should be more than adequate to meet foreseeable contingencies.

The investment guaranty program stems from the Economic Cooperation Act of 1948. Under it, the Government will guarantee investors in approved projects against losses arising from currency inconvertibility or from expropriation or confiscation. The program does not guarantee a profit nor does it underwrite the normal risks of doing business. Guaranties for approved projects are available in any country with which the United States has agreed to institute the guaranty program. The agreements express the foreign government's willingness to participate in the program and provide for diplomatic settlement or international arbitration of any claims against that government to which the United States may become subrogated by discharging its obligations under the guaranty.

There are now 30 participating countries: Austria, Belgium, Bolivia, China (Formosa), Colombia, Costa Rica, Denmark, Ecuador, France, Germany, Greece, Guatemala, Haiti, Honduras, Ireland, Israel, Italy, Japan, Netherlands, Norway, Pakistan, Paraguay, Peru, Philippines, Portugal, Spain, Thailand, Turkey, United Kingdom, and Yugoslavia. Guaranties may cover both convertibility and expropriation in all of these countries except Colombia, Peru, Turkey, and the United Kingdom, where they apply only to convertibility.

As of May 31, 1956, a total of 121 guaranties had been issued, representing a coverage of $109,394,260 which includes $82,403,862 convertibility guaranties and $26,990,398 expropriation guaranties. There are, in addition, approximately 200 applications now in process, which would, if granted, add $324,886,288 to the coverage. To the present time, no losses have occurred under either heading, and over $1,522,687 in fees have been collected. The annual cost of operating the program is estimated at $92,000.

The investment guaranty program is designed to encourage the investment of private United States capital in friendly foreign countries for the purpose of contributing to their agricultural, industrial, and general economic development. To the extent that private capital and enterprise can be encouraged to participate in productive ventures of this kind, the burden of foreign aid now carried by Government funds and financed by the American taxpayers will be correspondingly reduced. At the same time, the principle of respect for private enterprise and an understanding of what it can accomplish in improving living standards is encouraged. A major consequence of this activity is the strengthening of the economic power of the free world.

The committee believes that the moderate expansion of the program provided in this bill is sound and that it will contribute to achieving the objectives of the Mutual Security Act at little or no cost to the United States.

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22. FOOD AND AGRICULTURE ORGANIZATION (SEC. 8 (l))

This section of the bill increases the ceiling on United States contributions to the Food and Agriculture Organization from $2 million a year to $3 million a year, with a proviso that in no case can our contributions exceed 31.5 percent of the total annual budgets of the organization.

This section of the bill is the same as section (a) of Senate Joint Resolution 97 which passed the Senate April 19, 1956. Senate Joint Resolution 97 also increased the ceiling on United States contributions to the International Labor Organization, but that matter is not dealt with in this bill.

The Food and Agriculture Organization provision was added to the mutual security bill by the House Foreign Affairs Committee. The proviso limiting United States contributions to 31.5 percent was added by the Senate Foreign Relations Committee in consonance with the earlier action of the Senate.

For reasons which are more fully explained in its report on Senate Joint Resolution 97 (S. Rept. 1172), the committee believes the increase here provided is needed and justified.

23. GENERAL ADMINISTRATIVE PROVISIONS (SECS. 9, 10, AND 11 (A), NEW SUBSECTIONS 544 (C), (D), (E), AND (F))

Transferability (sec. 9 (a)).—This section of the bill corrects a clerical error which was made in 1954 and repeated in 1955 in section 501 of the Mutual Security Act, relating to transferability of funds. The last two sentences of this section, which are deleted by section 9 (a) of the bill, deal with the requirement that given percentages of funds transferred to development assistance must be furnished on a loan basis. As the law now stands, these two sentences are contradictory. Through inadvertence the next to the last sentence of section 501 was left in the law last year although the reason for it ceased with the repeal of the loan requirement in section 201 of title II.

The last sentence was included through a clerical error in the final print of the act though it was not in the bill reported by the conference committee and passed by the Congress.

The bill also strikes out the third from last sentence in section 501 which becomes obsolete with the repeal of section 105 (c).

The basic transferability provisions of the act are unaffected by these changes.

Use of foreign currency (sec. 9 (b)).—This subsection adds the Senate Select Committee on Small Business to the congressional committees which are entitled to use counterpart funds to meet their local currency expenses in carrying out their duties. The Small Business Committee has hitherto had the use of these funds, but the General Accounting Office has raised a technical question about the matter and this amendment will make it perfectly clear. Section 502 (b) of the Mutual Security Act originally granted this authority to—

> appropriate committees of the Congress engaged in carrying out their duties under section 136 of the Legislative Reorganization Act.

Last year, to remove some doubt, the Joint Commitee on Atomic Energy and the Joint Committee on the Economic Report were added by name to the section. The General Accounting Office interpreted this to exclude other committees not mentioned by the Legislative Reorganization Act; hence the desirability of the Small Business Committee amendment.

Availability of funds (sec. 9 (c)).—Section 507 of the present law states the important principle that funds shall be available to carry out the act as they are authorized and appropriated to the President each fiscal year. This means that for these important programs a separate review is conducted in the Senate by the Committee on Foreign Relations and the Committee on Appropriations. Specific exceptions have heretofore been made to this principle and noted in section 507. These include the infrastructure program, contributions to the Intergovernmental Committee for European Migration, participation in NATO, and assistance to certain Chinese and Korean students. Other sections of the Mutual Security Act, however, also authorize appropriations to be available for longer than 1 year. These other sections include section 103 (no-year funds for military assistance), section 418 (the Asian development fund, available to June 30, 1958), and section 411 (d) (administrative expenses of the State Department). To remove any possibility of conflict between section 507 and these other sections, the committee has approved an amendment to section 507 making it clear that the rule of section 507 does not apply if other provisions of the act provide otherwise.

Shipping on United States vessels (sec. 9 (d)).—Section 509 of the act prescribes the operation of the 50–50 shipping principle for the mutual security program, i. e., that in most cases 50 percent of the goods financed under the program must be shipped on American vessels. In 1955, this section was amended to exempt from this requirement the transportation from one foreign country to another of commodities procured with foreign currencies derived from dollar funds made available under the Mutual Security Act. This means, for example, that when mutual security funds are used to purchase wheat in the United States which is sold in a foreign country, and when the foreign currency accruing from that sale is used to purchase commodities which are needed in the aid program, then these commodities may be shipped from one foreign country to another without regard to the 50–50 shipping requirement. Section 9 (d) of the bill would further amend section 509 by extending this exemption to commodities procured with foreign currencies received for surplus agricultural commodities under the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480, 83d Cong.). This amendment should simplify the disposal overseas of United States surplus agricultural commodities. The committee emphasizes that the amendment relates only to shipments between two foreign countries and in no way affects shipments from the United States.

Procurement services of the General Services Administration (sec. 10 (a) (1)).—This paragraph of the bill confirms the authority for the procedure currently being followed in handling funds to cover administrative expenses of the General Services Administration (GSA) in performing procurement services under the foreign aid program. Under this procedure, payments made to GSA for administrative sur-

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charges on foreign aid procurement are consolidated in a separate no-year account which may be drawn upon to cover administrative expenses of GSA in connection with such procurement. This eliminates serious bookkeeping difficulties which would arise if GSA administrative expenses, such as salaries of personnel, had to be distributed voucher by voucher among the numerous individual appropriation accounts maintained in the foreign-aid program.

Allocation and reimbursement among agencies (sec. 10 (a) (2)).—This provision would add a new subsection (f) to section 522 of the act, which relates to allocation and reimbursement among agencies and deals with other fiscal procedures. The new subsection provides that any appropriation under the act may be initially charged (within the limits of available funds) with an expense for which funds are available in another appropriation under the act, so long as the expense is ultimately charged to the correct appropriation with a proper credit to the appropriation initially charged, and provided that this adjustment is made before the end of same fiscal year. The purpose of this amendment is to simplify bookkeeping. For example, there are some centralized activities concerned with technical assistance which are financed from three separate appropriations: technical assistance (title III), defense support, Europe (ch. 3 of title I), and joint control areas (sec. 403). Under the proposed amendment, instead of dividing each item of expense for such central activities among these three appropriations at the time each individual voucher is presented, the entire cost may be initially charged against technical assistance funds. However, before the end of the same fiscal year a proportional share of such expense must be finally charged against each of the other two appropriations, with corresponding credit to the technical assistance account.

The committee agrees that it is desirable to authorize this simplified method of accounting but warns the agencies concerned against abuse of the authority. It is not to be used as an additional kind of transferability. Neither is the new authority to be used as an excuse for poor recordkeeping and cost accounting.

Contracts with organizations of experts (sec. 10 (b)).—This section of the bill authorizes annual renewal of contracts with organizations of experts and consultants. Under the existing general civil service laws, contracts for the employment of experts and consultants may not be renewed after 1 year. The philosophy of this general provision of the law is that if there is a need in a Government agency for the services of an expert over a period of longer than a year, a regular civil service job should be established to provide such services. There is a need, however, particularly in the programs carried out by the International Cooperation Administration, for such services as engineering and other technical surveys of proposed projects. The best way to conduct such surveys is to send out a team of engineers and other specialists of various kinds. There is not enough of this kind of work in any one country or even in the world as whole to warrant maintaining a full-time staff of engineers and other specialists in ICA, and it is difficult to assembly teams of individual engineers for short periods of work. The International Cooperation Administration finds it better and cheaper to contract with engineering firms to conduct whatever survey work is necessary from time to time. Such a contract

does not displace full-time engineering or technical employees and the philosophy of the civil service laws is therefore not applicable.

The committee expects that the use of the new authority will be confined to situations which do not conflict with the spirit of the civil service laws. It cautions the agencies concerned not to use such contracts as a device to avoid Government salary ceilings and other civil service regulations.

Cooperation with nations and international organizations (sec. 10 (c)).—This subsection amends section 535 (b) of the Mutual Security Act so as to clarify the authority to furnish nonmilitary supplies, materials, and services at the request of nations (as well as international organizations, as at present), on the basis either of an advance of funds or of reimbursement. Under the proposed amendment, such advances and reimbursements which are received within 180 days after the close of the fiscal year in which the supplies, materials, or services are delivered may be credited to the current appropriation or fund of the agency which financed the transaction.

Two different kinds of transactions are contemplated. Sometimes a nation will request the United States Government to act for it in buying supplies or in procuring services. It is possible under existing law to receive from such nation an advance of funds and to set up a special trust account out of which the supplies or services are procured. This method of operations complicates bookkeeping. It is easier if the advance of funds can be credited to a regular appropriation account of the agency, and the amendment would allow this to be done.

In other instances, nations or international organizations prefer to pay for supplies or services in dollars when the supplies are delivered or the services have been rendered, with the United States Government financing the arrangement prior to reimbursement. Under the proposed amendment, if payment is made within the period of 180 days after the close of the fiscal year in which the supplies are delivered, such reimbursement may be credited to current appropriations rather than deposited to miscellaneous receipts of the Treasury. This second kind of transaction has been little used in nonmilitary assistance programs.

The committee believes that sales of supplies for cash or short-term credit should be encouraged by the International Cooperation Administration as a substitute for grants or even for long-term loans. As the proposed new authority is used, it will be necessary for the executive branch, in preparing future programs for nonmilitary assistance, to present to the Congress estimates of amounts receivable on account of such transactions. This authority is available only "whenever the President determines it to be in furtherance of the purposes and within the limitations of this act."

Authority for certain expenditures (sec. 10 (d)).—This section of the bill provides a statutory basis for certain types of necessary expenditures, most of which have been authorized in the past on a year-to-year basis in appropriation bills. This change will remove a possible basis for a point of order against mutual security appropriation bills, and it will eliminate the need to reenact these provisions each year in appropriations acts.

The expenditures authorized are: the payment of rents in the District of Columbia; expenses of attendance at meetings, including inci-

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dental expenses related to arrangements for meetings of groups of consultants; the employment of aliens by contract for services abroad; the use of aircraft and passenger motor vehicles; entertainment in the United States; payment of losses which may result from fluctuations in foreign currency exchange rates; not to exceed $50,000 a year for confidential expenses; insurance of official vehicles abroad; rental, repair, and alteration of housing quarters abroad; funeral and related expenses of persons who die away from their homes while engaged in mutual security programs; the purchase of uniforms; employment of chauffeurs abroad; medical examinations of dependents of personnel going overseas; payment of per diem for foreign trainees in third countries in accordance with the Standardized Government Travel Regulations; provision of ice and drinking water abroad; travel expenses of employees and their dependents assigned overseas as well as the costs of transporting or storing household goods and personal effects; and payments of extra and unusual expenses incurred in operating and maintaining a suitable official residence for the chief of a special mission administering the mutual security program abroad.

The bill also makes it clear that funds may be used for certain expenses authorized by the Foreign Service Act, such as commissary and mess service. In addition, the bill continues the authority of the Public Health Service and the Coast and Geodetic Survey each to have not more than 20 additional officers for work in the mutual security program.

This section further authorizes Government agencies to pay costs of health and accident insurance for foreign participants while they are away from their homes engaging in any exchange-of-persons program or furnishing technical information and assistance. Many plants and other institutions cooperating in furnishing training in the United States insist upon such insurance protection, and ICA now requires it. Without insurance, the foreign participants would rely upon the United States Government to help them in event of illness or accident. Before fiscal year 1954, health and accident insurance was provided for participants under a provision in the appropriation legislation similar to the one now proposed. The methods of handling this problem which have been attempted since then have proven ineffective or administratively burdensome, and the earlier authority is, therefore, being reenacted.

Finally, this section authorizes the use of up to $12 million of Korean aid funds to provide living quarters, office space, and supporting facilities for personnel carrying out mutual security activities in Korea. It is contemplated that $9 million of these funds would be used for military facilities and $3 million for civilians. In this connection, it should be noted that the executive branch already has authority (under sec. 411 (c) of the Mutual Security Act) to waive certain general provisions of laws relating to the kind of construction. The lack of housing, office space, and other facilities is hampering efficient administration of the aid program in Korea. This is the largest such program in the world, accounting for approximately 15 percent of all funds carried in this bill. The facilities to be provided under this section will contribute to the achievement of the purposes of this large program. The committee does not intend for these facilities to be elaborate, but it agrees that something should be done

to alleviate the excessive hardships now imposed on mutual security personnel in Korea.

Redelegation of authority by subordinate officials in the Department of State (sec. 11 (a), new subsec. 544 (c)).—This would amend section 4 of the act of May 26, 1949 (5 U. S. C. sec. 151c), which is the general authority of the Secretary of State to promulgate rules and regulations and delegate functions. The purpose of this amendment is to clarify the basis upon which officials in the Department of State, such as the Director of the International Cooperation Admiinstration, may, when so authorized by the Secretary of State, redelegate to other officials in the Department functions (including the promulgation of rules and regulations) which have been delegated to them by the Secretary. The need for a clarifying amendment has arisen particularly in connection with various administrative functions involved in operations of the mutual security program since the International Cooperation Administration became part of the Department of State.

Purchase of additional categories of foreign currency for the Fulbright program (sec. 11 (a) new subsec. 544 (d)).—This amends section 32 (b) (2) of the Surplus Property Act of 1944 so that foreign currencies received in repayment of loans made under section 505 (b) of the Mutual Security Act may be used for the Fulbright educational exchange program. Section 505 (b) now provides that repayments "shall be held by the Treasury to be used for such purposes, including further loans, as may be authorized from time to time by Congress."

The use of these funds for the Fulbright program would be subject to the provisions of section 1415 of the Supplemental Appropriation Act, 1953, and other similar provisions of succeeding appropriation acts, which require that the foreign currencies must, in effect, be purchased from the Treasury with dollars from the appropriations of the agencies using such funds. The Fulbright program is unique in that its appropriations for program expenses abroad may be used only for the purchase of foreign currencies from the Treasury, and may therefore not be used at all for activities in any country unless the Treasury has on hand currencies or credits of that country. The proposed amendment would permit the program to go forward in countries which have made repayments on section 505 loans whether or not the Treasury holds currencies of that country derived from other sources.

Payment of home leave travel for employees from United States Territories (sec. 11 (a), new subsec. 544 (e)).—This would amend section 933 of the Foreign Service Act of 1946, as amended, so as to authorize payment of home leave travel for overseas employees whose homes are in United States Territories and possessions such as Hawaii, Alaska, and Puerto Rico on the same basis as is now applicable to employees whose homes are in the continental United States. In the case of a Government employee whose residence is in a United States Territory or possession, the Foreign Service Act now permits payment for travel on home leave only between the employee's overseas post and the point in the continental United States nearest to his residence. Thus, for example, a Government employee whose residence is in Hawaii and whose post is in the Near East or Europe must pay for his own travel between California and Hawaii in order to take his home leave at

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home. The amendment will, in such a case, permit payment of home leave travel to the employee's home in Hawaii.

Withholding for income-tax purposes on per diem advances (sec. 11 (a)).—This would amend section 1441 (c) of the Internal Revenue Code of 1954 (26 U. S. C. 1441c) so as to eliminate any necessity for making deductions or withholdings for United States income tax purposes from amounts of per diem in lieu of subsistence paid by the United States Government (directly or through contract financed by the U. S. Government) to foreign participants engaged in training in the United States under the mutual security program. The amendment has the express approval of the Treasury Department. This provision does not change the ultimate tax liability in regard to such payments, but it does remove any requirement of making advance withholdings from these per diem payments to cover such possible liability.

The amendment is desirable because per diem paid to foreign participants in lieu of subsistence may in some cases technically be considered "income" subject to United States tax and, consequently, also subject to an advance withholding requirement. In such cases, participants could almost invariably show, at the time of their departure from the United States upon completion of training, deductible expenses such that they would at that time receive a full refund of the amounts previously withheld from their per diem payments. The net result of requiring withholding in this type of situation is to deprive the participants of a portion of their per diem (which may not exceed $12) during the period when they need it while they are undergoing training in the United States, without any taxes being ultimately received by the United States Government. The amendment will eliminate this problem.

24. INFORMATIONAL MEDIA GUARANTIES (SEC. 11 (a), NEW SUBSEC. 544 (g))

Section 11 (a), new subsection 544 (g) of the bill amends the Smith-Mundt Act so as to make a number of changes in the informational media guaranty program. This is the program under which the Government agrees to convert into dollars foreign currency acquired by American book publishers, film producers, and other exporters of informational material, from sales of their products abroad. The Government receives in return a dollar fee from the participating firm plus the foreign currencies involved. The program is essentially a means to remove the obstacle which currency inconvertibility presents to dissemination abroad of American informational materials. It is a highly useful part of our total overseas information program. This category of guaranties, therefore, has a substantially different purpose from that of the investment guaranty program.

Both the informational media and the investment guaranties were instituted as a single program under authority provided in the Economic Cooperation Act of 1948. Although the two programs have been administered separately since 1952, they have continued to be financed and accounted for in common. Obligations of both programs have been chargeable to the same $200 million limitation on issuing and borrowing authority. Inasmuch as fees received in payment for

guaranties must be used before any money is borrowed from the Treasury, payments made under informational media guaranty contracts have come from a commingling of industrial and informational guaranty fees.

The bill recognizes the distinct characteristics and purposes of the two programs by providing for separate accounting and financing arrangements for informational media guaranties. The bill also provides a new and simpler financing arrangement. These and certain other technical changes are accomplished through an amendment to the United States Information and Educational Exchange Act (Smith-Mundt Act).

This amendment authorizes the Director of the United States Information Agency to assume not more than $28 million of the notes originally executed under the Economic Cooperation Act of 1948. Of this amount, however, only about $17 million will be available after the end of this fiscal year, because the remaining $11 million must be charged to previous operations. This $11 million is accounted for by $9 million which has already been advanced for informational media guaranties and by the requirement that USIA pay back to ICA $2 million as the equivalent of fees received for investment guaranties.

In addition to the $17 million which remains at the Director's disposal for future operations, foreign currencies on hand which have been obtained from prior transactions will increase that amount whenever they can be sold for dollars. It is anticipated by the executive branch that this working fund will be sufficient to sustain the program for another 2 or 3 years unless there is a sharp increase in applications for guaranties. At the present time there are over $12 million in applications in process. In lieu of the ceiling of $10 million on the amount of these guaranties in existing law, the bill fixes a ceiling equal to:

(1) the amount of the notes assumed by the Director of USIA ($28 million)

(2) minus the amounts previously advanced on such notes by the Secretary of the Treasury ($9 million)

(3) plus the amount of the funds in a special informational media guaranties account which is to be established in the Treasury. This special account in the Treasury will consist of advances borrowed from the Treasury against the notes, together with dollars which may be obtained from the sale of foreign currencies accruing under the program. To the extent, therefore, that these currencies may be converted into dollars by the Government, the account will be a revolving fund, payments under guaranties being replaced by the dollar equivalent of local currencies acquired by the United States. Any fees which may be earned from the issuance of guaranties will likewise be deposited in the special account which is to be used solely for payments under guaranty contracts. Should there be a net loss from informational media guaranty operations in future years the deficiency will have to be made up from appropriations provided by Congress.

The bill also authorizes the use of local currencies accruing under the informational media guaranty program for—

> educational, scientific, and cultural purposes which are in the national interest of the United States, and for such other

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> purposes of mutual interest as may be agreed to by the Governments of the United States and the country from which the currencies derive.

This additional authority is necessary for the following reasons: The informational media guaranties program operates only in those countries which have given their consent to it. A number of these countries have placed restrictions on the use of local currencies purchased by the United States under the program, sometimes limiting them to "educational, scientific, and cultural purposes" or some special purpose which might be agreed to between the governments concerned.

At the present time, however, there is only limited legislative authority to spend funds in this manner. As a consequence, the United States has been accumulating foreign currencies which it cannot adequately utilize. While in some countries the problem is not yet acute (as in Indonesia and Burma), in Israel the United States now holds about $4 million worth of Israel pounds which are restricted to "educational, scientific, and cultural" uses. In a letter dated May 18, 1956, from Assistant Secretary of State Hill to Senator George, it was pointed out that:

> these blocked accounts offer opportunities to cement friendly relations with the countries concerned through the use of the funds for cultural activities of mutual interest to those countries and the United States. On the negative side the continued existence of these blocked accounts not only diminishes the funds available for the informational media guaranties program but creates risks of loss through devaluation, whether by official act or through gradual diminution of market value.

In Israel some loss of value has already occurred through inflation. The authority contemplated under the amendment will permit use of these funds for worthwhile purposes of mutual interest to the United States and other countries such as, for example, the addition of a United States law wing to the Isreal Bar Association, and comparable projects in other countries.

The bill also makes these other changes in the program:

1. Authority to issue informational guaranties is extended from June 30, 1957, to June 30, 1967, in keeping with the extension of the investment guaranty authority.

2. Collection of a minimum charge of up to $50 is permitted for issuance of guaranty contracts or amendments thereto, so as to cover administrative expenses in connection with guaranties whose face value is so small that the fees collected do not meet processing costs.

3. Authority is granted to make advance payments under informational media guaranty contracts. This will permit a kind of short-term credit to exporters of informational materials similar to that furnished under many Government contracts for procurement and construction. It is particularly desirable in areas where the book trade is so undeveloped that American exporters find it difficult or impossible to obtain short-term financing through normal commercial channels, yet where the dissemination of informational materials is particularly desirable.

It is the opinion of the committee that the informational media guaranty program is one of the most important aspects of the overseas information program and that its effectiveness in stimulating the distribution of books and other informational materials has become increasing evident. At the same time, this distribution is accomplished at less cost than if it were handled through the ordinary functions of the information program and with maximum reliance on private trade channels. The committee strongly approves of the proposed amendments to the informational media guaranty program.

25. USE OF PUBLIC LAW 480 FOREIGN CURRENCY (SEC. 11 (a), NEW SUBSEC. 544 (i)

The bill makes two amendments to section 104 of the Agricultural Trade Development and Assistance Act (Public Law 480). Section 104 specifies eight purposes for which the President may use foreign currencies accruing from sales of surplus agricultural commodities under title I of that act. One of these purposes is the financing of Fulbright educational exchange activities. This purpose has been virtually ignored, receiving only 0.8 percent of all foreign currencies available under title I. The committee therefore approved an amendment specifying that not less than 5 percent of the aggregate of these currencies shall be used for exchange programs.

It should be made clear that the amendment does not require such use of 5 percent of these currencies in each country where they are available. In some countries—such as the United Kingdom, for example—ample funds for the Fulbright program are available from other sources and Public Law 480 currencies are not needed. In other countries, however—such as, for example, Pakistan—Public Law 480 is virtually the only source of Fulbright funds. Under this amendment, none of the Public Law 480 funds would have to be used for the exchange program in such countries as the United Kingdom, but if that were the case, then the difference would have to be made up by using more than 5 percent in such countries as Pakistan so as to reach the figure of 5 percent of the aggregate.

The amendment also directs that, in the allocation of foreign currencies among the purposes of Public Law 480, a special effort shall be made to provide for the exchange program in countries where agreements can be negotiated to establish a fund with the interest and principal available over a period of years. The exchange program is a long-range effort and measures to provide long-range financing should be encouraged.

The second amendment made to section 104 of Public Law 480 adds a ninth purpose for which foreign currencies may be used—namely, financing the translation, publication, and dissemination of books and periodicals abroad. A limitation of $5 million a year would be placed on the use of funds for this purpose.

This amendment is motivated by the committee's concern over the abundance of cheap Communist books available in many foreign countries and the relative scarcity of American works. The committee believes that $5 million of foreign currencies expended for this purpose would be well worthwhile.

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26. PRICING OF MILITARY EQUIPMENT (SEC. 11 (b) (1))

This section of the bill would amend section 545 (h) of the act which defines "value" in connection with transactions between the Army, Navy, or Air Force, on the one hand, and the military assistance program on the other. When Army, Navy, or Air Force equipment is used by the military assistance program the service furnishing the equipment is reimbursed upon delivery from military assistance appropriations. The method of computing the value of such equipment varies depending on whether the item involved: (1) is excess to the mobilization reserve; (2) is not excess to the mobilization reserve and needs to be replaced; (3) is not excess to the mobilization reserve but does not need full replacement; or (4) is to be newly procured.

If the item is excess, "value" is defined as the total cost of repairing, rehabilitating, or modifying the item prior to being furnished. If the item is newly procured for the purpose of being furnished, the "value" is the total cost of procurement. If the item is not excess to the mobilization reserve but does not need to be fully replaced, the "value" may be either the total cost of the equipment or its replacement cost. If the item is not excess to the mobilization reserve and does need to be replaced, the "value" is defined as the cost of procuring an equal quantity of such equipment or an equivalent quantity of equipment of the same general type but deemed to be more desirable for inclusion in the mobilization reserve than the equipment delivered.

The foregoing "values" for excess items and items newly procured cause no difficulty. Moreover, experience shows that very little equipment falls into the category of equipment which is not excess but which does not need to be fully replaced.

The pricing problem thus is centered in the definition of "value" for equipment which is not excess and which needs to be replaced. The problem arises because of the fact that for the past several years the cost of military equipment has been steadily increasing due to the increasing complexity of weapons and due to gradual inflation in the economy. If an item which cost $2 has been in stock for 2 years but is not excess to the mobilization reserve, the cost of replacing the item may be $3 and the market value, due to its age and condition, may be $1. Under the existing law, the military service furnishing the item has been paid $3 from military assistance appropriations. This pricing formula has enabled the Army, Navy, and Air Force, to some extent, to modernize their own equipment with military assistance funds. An incidental result has been that the published figures on the value of deliveries to foreign countries are somewhat inflated. The Comptroller General stated to the committee that a substantial portion of the material programed through 1955 was billed at 170 percent of the acquisition cost.

It should also be pointed out that the situation has changed in other respects since the existing pricing formula was enacted as a part of the Mutual Defense Assistance Act of 1949. At that time, United States military equipment stocks were relatively low and the Department of State was responsible for reimbursing the military departments for deliveries. There was concern on the part of the Congress that the discretion to value such deliveries might be abused and that United States military stocks might be unduly reduced. Since then,

however, the Military Establishment has greatly expanded in size and the appropriations for military assistance are less than 10 percent of those for the regular United States Military Establishment. Moreover, the Secretary of Defense himself now receives the allocations of military assistance appropriations and reimburses the military departments for deliveries to the military assistance program.

For all these reasons, the committee believes that a change in the existing pricing rules is overdue.

The new pricing system contemplates that the price obtaining for similar transactions between the services would be used, if such a price exists. In other cases, the basic difference would be that under the present system when a delivery to military assistance involves a nonexcess item from stock, military assistance appropriations are charged with the cost of buying a new and better item for the military department concerned; whereas under the new system military assistance appropriations will be charged "the gross cost to the United States adjusted as appropriate for condition and market value." The word "condition" will permit taking into account the age as well as the physical condition of the item. The term "market value" is one which must be applied carefully. It is intended to refer to the fair value of the item at the time of delivery—not at the time of programing. There may not be an actual "market value" in the literal sense of the term, but an attempt will be made to arrive at the fair value of the item by considering, among other things, what it would cost to buy that same item—not a new or better one—at the time of delivery.

The new pricing formula will not immediately replace the old formula. The amendment deliberately leaves the old definition of value in the act because there are thousands of military items involved in the military assistance program and the new pricing regulations within the Department of Defense, which will incorporate the new definition of value, cannot be worked out for several months. During the transition period it will be necessary to use the original definition, at least for some transactions.

The purpose of the new pricing formula is stated in the bill—namely, to establish "a more equitable pricing system for transactions between the military departments and the mutual defense assistance program." The committee expects this purpose to be carried out conscientiously. It likewise expects to receive reports from time to time on the progress being made to this end and to be furnished copies of the new pricing regulations before they go into effect. Next year's military assistance presentation to the Congress should include detailed figures comparing prices under the old and new pricing systems, together with an estimate of the total sum saved in military assistance appropriations after the new formula went into effect.

27. OBLIGATIONS AND EXPENDITURES (SEC. 11 (C))

The committee gave considerable attention to the problem of unobligated and unexpended funds available to the mutual security program from prior appropriations and to the relationship of these balances to the amounts needed for fiscal 1957.

The mutual security program, particularly its military component, has been beset by extremely complex accounting problems for several

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years. In part, these problems arise from the unique operating difficulties of the program. Of all the major activities of the United States Government, the mutual security program is the only one in which fiscal obligations depend so largely on agreements with foreign governments. Other Government agencies, such as the Department of State, operate abroad; but their financial problems are their own, and they, consequently, have a much greater degree of control over rates and timing of their spending than do agencies administering mutual security. This is not to say that the Government has significantly less control over spending mutual security funds; it does have control in the sense that it can spend the funds or not. The difference lies in the rate of spending.

A purely domestic agency can plan its activities over the course of a year unilaterally. Mutual security activities depend on agreements with foreign governments. As a general rule negotiation of those agreements cannot be undertaken until after the money is appropriated. Although, in the case of nonmilitary assistance, the International Cooperation Administration plans projects in advance of appropriations (indeed, it is partly on the basis of this planning that Congress makes the appropriations), the plans can be no more than tentative until after the appropriations are actually made and the necessary agreements entered into with foreign governments. Even after these agreements are made, the obligation and expenditure of United States funds await certain action on the part of the foreign government, and this action is sometimes delayed for reasons over which the United States has no control.

The Karachi fish harbor project in Pakistan provides an example. This project involves improving facilities for the fishing fleet and for marketing fish. It is expected to double or triple the amount of fish available in Karachi with great benefit to the local diet. By making new and better facilities available to the fishing fleet, the project will also free other space which is needed for the general development of the port of Karachi. The project was first surveyed by the Food and Agriculture Organization in 1950–51. In April 1953, a project agreement was signed between the United States and Pakistan calling for a total investment of approximately $2 million, of which the United States would contribute $750,000.

There were delays within the Pakistan Government caused by differences over site selection and acquisition and other matters. In April 1954—a year after the project agreement had been signed—the United States deobligated the funds committed to it. After the lapse of an additional year, the Pakistan Government resolved its difficulties and United States funds were reobligated. Construction began in July 1955, and is expected to be completed in December 1957.

Mutual Security Program

Status of obligations, summary of fiscal year 1956 appropriations

[In thousands of dollars]

Appropriation	New appropriation, fiscal year 1956	Adjustments		Available for obligation, fiscal year 1956	Actual and estimated obligations and reservations				Estimated unobligated and unreserved balances		
		Reappropriated	Actual and anticipated transfers		Actual July 1, 1955–Mar. 31, 1956	Unobligated and unreserved balance Mar. 31, 1956	Estimated, Apr. 1, 1956–June 30, 1956	Total estimate	Unobligated and unreserved balance June 30, 1956	Reserve for return to Treasury June 30, 1956	Unobligated balance, June 30, 1956, to be reappropriated
Military assistance, general	705,000	33,900		[1] 738,900	189,034	549,866	404,366	593,400	145,500	−18,900	126,600
Department of Defense	705,000	33,900		[1] 738,900	189,034	549,866	404,366	593,400	145,500	−18,900	126,600
Direct forces support	317,200			317,200	50,904	266,296	216,296	267,200	50,000	−10,000	40,000
Department of Defense				304,305	39,009	265,296	215,296	254,305	50,000	−10,000	40,000
International Cooperation Administration				12,895	11,895	1,000	1,000	12,895			
Defense support, Europe	85,500		−1,400	84,100	56,080	28,020	28,020	84,100			
Special assistance in joint control areas in Europe	21,000		−300	20,700	11,434	9,266	8,866	20,300	400	−400	
Defense support, Near East and Africa	113,700		38,000	151,700	79,328	72,372	72,372	151,700			
Defense support, Asia	800,000	9,984	−19,750	790,234	527,159	263,075	263,075	790,234			
Development assistance, Near East and Africa	73,000		−18,000	55,000	19,022	35,978	26,778	45,800	9,200	−9,200	
Development assistance, Asia	51,000			51,000	29,681	21,319	21,319	51,000			
Development assistance, American Republics and non-self-governing territories of the Western Hemisphere	38,000		500	38,500	32,862	5,638	5,638	38,500			
Technical cooperation, general	127,500	[2] 906	−500	127,906	69,026	58,880	58,880	127,906			
U. N. expanded programs of technical assistance	24,000			24,000	21,850	2,150	1,150	23,000	1,000	−1,000	
Technical cooperation programs of the organization of American States	1,500			1,500	1,500		−300	1,200	300	−300	
Special Presidential fund	100,000			100,000		100,000	100,000	100,000			
Intergovernmental Committee for European Migration	12,500			12,500	10,202	2,298	2,298	12,500			
United Nations refugee fund	1,200			1,200	1,200			1,200			
Escapee program	6,000			6,000	3,591	2,409	2,409	6,000			
United Nations children's fund	14,500			14,500	14,500			14,500			
United Nations relief and works agency	58,367	3,633		62,000	12,000	50,000	4,700	16,700	45,300		45,300
North Atlantic Treaty Organization	3,700			3,700	2,563	1,137	1,137	3,700			
Ocean freight charges, United States voluntary relief agencies	2,000			2,000	1,801	199	199	2,000			
Ocean freight charges, surplus agricultural commodities	13,000			13,000	12,771	229	229	13,000			

See footnotes at end of table.

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MUTUAL SECURITY PROGRAM—Continued

Status of obligations, summary of fiscal year 1956 appropriations—Continued

[In thousands of dollars]

Appropriation	New appropriation, fiscal year 1956	Adjustments		Available for obligation, fiscal year 1956	Actual and estimated obligations and reservations				Estimated unobligated and unreserved balances		
		Reappropriated	Actual and anticipated transfers		Actual July 1, 1955–Mar. 31, 1956	Unobligated and unreserved balance Mar. 31, 1956	Estimated, Apr. 1, 1956–June 30, 1956	Total estimate	Unobligated and unreserved balance June 30, 1956	Reserve for return to Treasury June 30, 1956	Unobligated balance June 30, 1956, to be reappropriated
Control Act expenses	1,175			1,175	833	342	342	1,175			
President's fund for Asian economic development	100,000			100,000	4,366	95,634	5,634	10,000	[3] 90,000		
Administrative expenses, sec. 411, Mutual Security Act	33,500		1,450	34,950	24,408	10,542	9,842	34,250	700	−700	
Grand total	2,703,342	48,423		2,751,765	1,176,115	1,575,650	1,233,250	2,409,365	[4] 342,400	−40,500	211,900
Recapitulation by primary agencies:											
Department of Defense	1,022,200	33,900		1,043,205	228,043	815,162	619,602	847,705	195,500	−28,900	166,600
Military assistance, general				738,900	189,034	549,866	404,366	593,400	145,500	−18,900	126,600
Direct forces support				304,305	39,009	265,296	215,296	254,305	50,000	−10,000	40,000
International Cooperation Administration	1,681,142	14,523		1,708,560	948,072	760,488	613,588	1,561,660	[4] 146,900	−11,600	45,300
Direct forces support				12,895	11,895	1,000	1,000	12,895			
Other Mutual Security programs				1,695,665	936,177	759,488	612,588	1,548,765	146,900	−11,600	45,300
Total recapitulation by primary agencies	2,703,342	48,423		2,751,765	1,176,115	1,575,650	1,233,250	2,409,365	342,400	−40,500	211,900

[1] Excludes adjustment pursuant to sec. 108, Public Law 208, 84th Cong.
[2] Unobligated balance (after sec. 1311 certification) of no-year funds, Institute of Inter-American Affairs.
[3] Available through June 30, 1958.
[4] Excludes an estimated additional $15 million unobligated on June 30, 1956 from prior year funds.

Analysis of expenditures, as of Mar. 31, 1955, with forecasts through June 30, 1956, and June 30, 1957

[In millions of dollars]

	Actual expenditures fiscal year 1955	Certified unliquidated obligations June 30, 1955	New appropriations fiscal year 1956	Unobligated balances continued available in fiscal year 1956	Actual and anticipated transfers fiscal year 1956	Available for expenditure fiscal year 1956	Actual expenditures July 1, 1955–Mar. 31 1956	Unexpended balance Mar. 31, 1956	Estimated expenditures		Estimated unexpended balances June 30, 1956	Estimated reserve for return to Treasury	Proposed new obligational authority fiscal year 1957	Available for expenditure fiscal year 1957	Estimated expenditures fiscal year 1957	Estimated unexpended balances June 30, 1957
									Apr. 1, 1956–June 30, 1956	Total, fiscal year 1956						
Military and direct forces support, total	2,311.2	6,203.0	1,022.2	33.9	.....	7,259.1	1,353.3	5,905.8	846.7	2,200.0	5,059.1	−28.9	3,000.0	8,030.2	2,500.0	5,530.
APPROPRIATIONS AVAILABLE IN FISCAL YEAR 1956 AND PRIOR YEARS																
Military assistance	2,291.8	6,152.4	705.0	33.9	.....	6,891.3	1,289.6	5,601.7	766.8	2,056.4	4,834.9	−18.9	3,000.0	7,816.0	2,343.8	5,472.2
Department of Defense	2,089.1	5,996.2	705.0	33.9	.....	6,735.1	1,205.9	5,529.2	725.5	1,931.4	4,803.7	−18.9	3,000.0	7,784.8	2,315.1	5,469.7
International Cooperation Administration	202.7	156.2	.....	.....	.....	156.2	83.7	72.5	41.3	125.0	31.2	.....	.....	31.2	28.7	2.5
Direct forces support and common-use items:																
Direct forces support	.....	.....	317.2	.....	.....	317.2	29.9	287.3	69.2	99.1	218.1	−10.0	.....	208.1	152.1	56.0
Department of Defense	.....	.....	317.2	.....	.....	304.3	23.4	280.9	65.2	88.6	215.7	−10.0	.....	205.7	149.7	56.0
International Cooperation Administration	.....	.....	.....	.....	.....	12.9	6.5	6.4	4.0	10.5	2.4	.....	.....	2.4	2.4	.....
Common-use items	19.4	50.6	.....	.....	.....	50.6	33.8	16.8	10.7	44.5	6.1	.....	.....	6.1	4.1	2.0
International Cooperation Administration	19.4	50.6	.....	.....	.....	50.6	33.8	16.8	10.7	44.5	6.1	.....	.....	6.1	4.1	2.0
PROPOSED NEW OBLIGATIONAL AUTHORITY FOR FISCAL YEAR 1957 (DEFENSE)																
Other mutual security programs, total	1,953.1	1,692.9	1,681.2	14.5	.....	3,388.6	1,082.1	2,306.5	487.9	1,570.0	1,818.6	−26.6	1,860.0	3,652.0	1,765.0	1,887.0
Appropriations available in fiscal year 1956 and prior years	1,953.1	1,692.9	1,681.2	14.5	.....	3,388.6	1,082.1	2,306.5	487.9	1,570.0	1,818.6	−26.6	.....	1,792.0	1,215.0	587.2
Appropriations available prior to fiscal year 1956	1,953.1	1,692.9	.....	.....	.....	1,692.9	862.2	830.7	207.8	1,070.0	622.9	−15.0	.....	607.9	465.0	142.9

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Analysis of expenditures, as of Mar. 31, 1955, with forecasts through June 30, 1956, and June 30, 1957—Continued

[In millions of dollars]

	Actual expenditures fiscal year 1955	Certified unliquidated obligations June 30, 1955	New appropriations fiscal year 1956	Unobligated balances continued available in fiscal year 1956	Actual and anticipated transfers fiscal year 1956	Available for expenditure fiscal year 1956	Actual expenditures July 1, 1955–Mar. 31, 1956	Unexpended balance Mar. 31, 1956	Estimated expenditures		Estimated unexpended balances June 30, 1956	Estimated reserve for return to Treasury	Proposed new obligational authority fiscal year 1957	Available for expenditure fiscal year 1957	Estimated expenditures fiscal year 1957	Estimated unexpended balances June 30, 1957
									Apr. 1, 1956–June 30, 1956	Total, fiscal year 1956						
Appropriations made available in fiscal year 1956			1,681.2	14.5		1,695.7	219.9	1,475.8	280.1	600.0	1,195.7	−11.6		1,184.1	750.0	434.1
Defense support, Europe			85.5		−$1.4	84.1	6.5	77.6	32.5	39.0	45.1			45.1	34.5	10.6
Special assistance in joint control areas			21.0		−.3	20.7	4.4	16.3	7.6	12.0	8.7	−.4		8.3	7.0	1.3
Defense support, Near East and Africa			113.7		38.0	151.7	30.7	121.0	18.3	49.0	102.7			102.7	74.0	28.7
Development assistance, Near East and Africa			73.0		−18.0	55.0		55.0	8.9	8.9	46.1	−9.2		36.9	21.0	15.9
United Nations relief and works agency			58.4	3.6		62.0	9.1	52.9	7.6	16.7	45.3			45.3	20.0	25.3
Defense support, Asia			800.0	10.0	−19.8	790.2	83.9	706.3	133.6	217.5	572.7			572.7	377.5	196.2
Development assistance, Asia			51.0			51.0	.8	50.2	3.2	4.0	47.0			47.0	35.5	11.5
Development assistance, American Republics and non-self-governing territories of the Western Hemisphere			38.0		.5	38.5	5.3	33.2	12.2	17.5	21.0			21.0	16.1	4.9
Technical cooperation, general			127.5	.9	−.5	127.9	29.6	98.3	15.4	45.0	82.9			82.9	50.0	32.9
Organization of American States			1.5			1.5	.2	1.3	.4	.6	.9	−.3		.6	.6	
United Nations expanded program of technical assistance			24.0			24.0	12.6	11.4	1.9	14.5	9.5	−1.0		8.5	8.5	
Intergovernmental Committee for European Migration			12.5			12.5	2.7	9.8	3.3	6.0	6.5			6.5	6.5	
United Nations refugee fund			1.2			1.2	1.0	.2		1.0	.2			.2	.2	
United Nations children's fund			14.5			14.5	4.5	10.0	3.5	8.0	6.5			6.5	6.5	
North Atlantic Treaty Organization			3.7			3.7	.4	3.3	1.1	1.5	2.2			2.2	2.2	
Ocean freight, United States voluntary relief agencies			2.0			2.0	1.1	.9	.7	1.8	.2			.2	.2	
Ocean freight charges, surplus agricultural commodities			13.0			13.0	6.8	6.2	6.2	13.0						
Escapee program			6.0			6.0	.8	5.2	.7	1.5	4.5			4.5	3.5	1.0
Control act expenses			1.2			1.2	.7	.5	.3	1.0	.2			.2	.2	

Administrative expenses, sec. 411, Mutual Security Act	.....	.....	33.5	.....	1.5	35.0	18.8	16.2	9.2	28.0	7.0	−.7	.....	6.3	6.0	.3
President's fund for Asian economic development	.....	.....	100.0	.....	.....	100.0	.....	100.0	1.5	1.5	98.5	.....	.....	98.5	20.0	78.5
Special Presidential fund	.....	.....	100.0	.....	.....	100.0	.....	100.0	12.0	12.0	88.0	.....	.....	88.0	60.0	28.0
Proposed new obligational authority for fiscal year 1957	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1,860.0	1,860.0	550.0	1,310.0
Grand total	4,264.3	7,895.9	2,703.4	48.4	.....	10,647.7	2,435.4	8,212.3	1,334.6	3,770.0	6,877.7	−55.5	4,860.0	11,682.2	4,265.0	7,417.2
RECAPITULATION BY PRIMARY AGENCY																
Department of Defense, total	2,089.1	5,996.2	1,022.2	33.9	.....	7,039.4	1,229.3	5,810.1	790.7	2,020.0	5,019.4	−28.9	3,000.0	7,990.5	2,464.8	5,525.7
Military assistance	2,089.1	5,996.2	705.0	33.9	.....	6,735.1	1,205.9	5,529.2	725.5	1,931.4	4,803.7	−18.9	3,000.0	7,784.8	2,315.1	5,469.7
Direct forces support	.....	.....	317.2	.....	.....	304.3	23.4	280.9	65.2	88.6	215.7	−10.0	.....	205.7	149.7	56.0
International Cooperation Administration, total	2,175.2	1,899.7	1,681.2	14.5	.....	3,608.3	1,206.1	2,402.2	543.9	1,750.0	1,858.3	−26.6	1,860.0	3,691.7	1,800.2	1,891.5
Military assistance	202.7	156.2	.....	.....	.....	156.2	83.7	72.5	41.3	125.0	31.2	.....	.....	31.2	28.7	2.5
Direct forces support	.....	.....	.....	.....	.....	12.9	6.5	6.4	4.0	10.5	2.4	.....	.....	2.4	2.4	.....
Common-use items	19.4	50.6	.....	.....	.....	50.6	33.8	16.8	10.7	44.5	6.1	.....	.....	6.1	4.1	2.0
Other mutual security programs	1,953.1	1,692.9	1,681.2	14.5	.....	3,388.6	1,082.1	2,306.5	487.9	1,570.0	1,818.6	−26.6	1,860.0	3,652.0	1,765.0	1,887.0
Total of recapitulation by primary agency	4,264.3	7,895.9	2,703.4	48.4	.....	10,647.7	2,435.4	8,212.3	1,334.6	3,770.0	6,877.7	−55.5	4,860.0	11,682.2	4,265.0	7,417.2

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Thus in the case of this project, which was first planned in fiscal year 1951, funds were initially obligated in fiscal year 1953, and work actually began in fiscal year 1956 with a scheduled completion date in fiscal year 1958. None of the delays encountered detracts from the merits of the project, but they are illustrative of many of the time lags which ICA faces in carrying out its program.

On the military side, the problems are slightly different, but in some respects even more time-consuming. The production lead-time for the procurement of complicated weapons and military equipment runs as high as 3 years. This is a problem which the Department of Defense faces with respect to its own procurement, of course, but the problem is magnified with respect to procurement for the military assistance program.

One of the problems of operating a military establishment is fitting procurement and training schedules together so that equipment is available when troops are ready for it and troops are ready when equipment is available. This problem is enormously complicated when one is dealing, not with the forces of a single country, but with the forces of 36 countries.

Large unexpended balances are, therefore, inherent in a program of this character, as to both its economic and military components, but especially as to the latter. The difficulties inherent in the program, however, were unnecessarily complicated by the accounting procedures which were used in the Defense Department until 1954. It will be recalled that during congressional consideration of the mutual security program last year as the fiscal year drew to a close, Congress was confronted with wild fluctuations in executive branch estimates of obligations and unobligated funds. This was due, at least in part, to the fact that the accounting system was then in a process of transition. This process is now much further advanced, and the committee is less dissatisfied with the fiscal records and practices of this program.

The situation is explained in much greater detail in the testimony of Comptroller General Joseph Campbell and of W. J. McNeil, Assistant Secretary of Defense-Controller, on pages 764–803 and 870–890 of the hearings. The tables on pages 47–51 of this report show the most recent available figures on the status of obligations and expenditures.

In summary, these tables show that the total unexpended balances, for both the military and nonmilitary components of the program, amounted to $8.2 billion on March 31. It is estimated that this figure will be reduced to $6.9 billion by June 30. The committee does not consider these funds excessive, particularly when compared to the estimated unexpended balance of $39.2 billion available to the Department of Defense for United States military forces by July 1.

Obligations are in some respects more significant than expenditures in a program of this kind. On March 31, the unobligated and unreserved balance was $1.6 billion. It is estimated that $1.2 billion will be obligated or reserved between April 1 and June 30, leaving an unobligated and unreserved balance of $342 million at the close of the fiscal year.

Section 11 (c) of the bill limits the unobligated and unreserved funds which may be carried forward to $200 million plus unobligated

balances in the President's Fund for Asian Economic Development (amounting to $90 million) and in the account for relief, rehabilitation, and resettlement of Palestine refugees (amounting to $45 million). This provision, which is similar to one contained in the Mutual Security Act of last year, will insure that money which is not obligated will not be carried over in relatively substantial amounts. It will mean that money which is carried over will be firmly committed and obligated and will not be available as a backlog for future planning. Exceptions are made for the President's Fund for Asian Economic Development and for the Palestine refugee fund. In authorizing these funds originally, Congress did not contemplate that they would be obligated within a single year and they, therefore, should not be reduced because they remain unobligated.

As indicated above, the total unobligated and unexpended balances in the mutual security program do not appear unduly large in relationship to the overall size of the program and in view of the peculiar operating difficulties which it confronts. At the same time, however, the committee is by no means convinced that the agencies concerned, principally Defense and ICA, have done all that they could to improve their programing procedures and to achieve a more even rate of obligation and expenditure throughout the year. The committee realizes that the mutual security appropriation bill is rarely passed before the start of the fiscal year for which it provides funds. It further realizes that the bill rarely appropriates the sums requested by the executive branch and that a certain amount of reprograming necessarily follows. The committee does not understand, however, why the original programing cannot be done within the framework of a system of priorities which could then be easily applied to the final appropriations.

The committee is also of the opinion that more consideration should be given within the executive branch to the suggestion of the Comptroller General that appropriations for the mutual security program be put on an accrued expenditure basis. The committee hopes that within the coming year the General Accounting Office, the Department of Defense, ICA, and the Bureau of the Budget will explore the matter further and will be prepared to present mature, considered judgments at the time this program is considered next year.

28. INTERNATIONAL FOOD AND RAW MATERIALS RESERVE (SEC. 11 (d))

Section 11 (d) of the bill expresses the sense of Congress that the President should explore with other nations the establishment of an International Food and Raw Materials Reserve under the auspices of the United Nations and related international organizations. The Reserve would be organized for the purpose of acquiring and storing in appropriate countries raw or processed farm products and other raw materials, exclusive of minerals with a view to—

(1) preventing extreme price fluctuations in the international market in these commodities;

(2) preventing famine and starvation;

(3) helping absorb temporary market surpluses of farm products and other raw materials (exclusive of minerals);

(4) economic- and social-development programs formulated in cooperation with other appropriate international agencies.

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Before the United States joins such a reserve, however, the President will be required to obtain authorization by the Congress, either by treaty or legislation, for such participation. The President is further required to make reports on action under this proposed section in his semiannual reports to the Congress.

The proposed amendment is based upon Senate Resolution 86, to provide for the creation of an international food and raw materials reserve, introduced on March 30, 1955, by Senator Murray and 22 other other Senators. A subcommittee of the Committee on Foreign Relations held hearings on May 28 and 29, 1956, on this resolution and Senate Resolution 85, a similar proposal by Senators Scott and Murray, which favored the creation and operation of a world food bank. Representatives of the executive branch opposed the resolutions on the grounds that sufficient legislative authority existed to deal with surplus agricultural commodities and that some aspects of the resolutions would restrict the President too much in dealing with this problem. With one exception, all other witnesses heard—among them representatives of the National Farmers Union, United Automobile Workers of America, Americans for Democratic Action, Cooperative League of the United Statese of America, International League for Peace and Freedom, and the Committee for Economic Stability, as well as Senators Murray and Scott, the principal sponsors—strongly favored the resolutions. The one exception, a spokesman for the American Smelting & Refining Co., favored the exclusion of minerals.

Inasmuch as the Committee on Foreign Relations was simultaneously considering the problem of surplus agricultural commodities in connection with the Mutual Security Act of 1956, the committee voted to incorporate the substance of Senate Resolution 86 as section 11 (d) of the bill as reported. The amendment is not mandatory and excludes minerals. The committee's action was based on a strong sentiment that more imaginative and vigorous action was necessary to find ways of using agricultural surpluses. It was not satisfied that the administration had done its utmost to explore every possible avenue of making effective use of these commodities. So while the language of the proposed amendment does not make it mandatory for the President to explore the creation of a raw materials reserve, the committee hopes and expects that he will do so unless there are overriding reasons to the contrary. It should also be pointed out that the bill does not attempt to anticipate the results of the President's explorations and specifically reserves to Congress the right to reexamine any plan which may be presented.

29. FOREIGN RESEARCH REACTOR PROJECTS (SEC. 12)

This section of the bill authorizes an appropriation for fiscal 1957 of $5,950,000 to finance nuclear research reactor projects abroad.

This is 1 of 3 programs financed by mutual security funds for promoting peaceful uses of atomic energy on an international basis. A portion of the President's Fund for Asian Economic Development is being used to assist the Colombo plan countries in establishing in Asia a center for nuclear training and research. Also, a number of trainees from foreign countries are being brought to the United States under the technical cooperation program to participate in training courses at such centers as the Argonne School of Nuclear Science and Engi-

neering and the Oak Ridge Institute of Nuclear Studies. All of these activities are a part of the atoms-for-peace program outlined by President Eisenhower in his address before the United Nations General Assembly in December 1953.

Under the Atomic Energy Act of 1954 no country may receive assistance in constructing a research reactor until it has concluded with the United States the agreement required by the act. Each agreement includes guaranties for the maintenance of security safeguards by the foreign government and guaranties that any nuclear material transferred will not be used for atomic weapons or research toward atomic weapons. The uranium to be furnished is not of weapons grade and it is being leased, not given, to the foreign government. In these bilateral agreements the foreign country agrees to allow United States technicians to inspect at any time the facilities which we have helped to create. The agreements provide for the exchange of information on the use of research reactors in related health and safety problems and the use of radioactive materials in research and therapy in various fields of knowledge. The pending bill specifically provides that it does not in any way affect the provisions of the Atomic Energy Act.

The bill also limits the United States contribution to any reactor furnished under this section to $350,000. This is one-half the estimated cost of a typical project including the necessary surveys, supporting facilities, and services.

It is expected that nearly 50 foreign countries will eventually sign agreements under the Atomic Energy Act of 1954 for cooperation in the development of peaceful atomic applications. Of this number it is expected that 37 countries will request financial assistance under the President's offer in the establishment of research reactor programs. For the purposes of budgeting it is anticipated that 8 projects will be approved prior to June 30, 1956; that 17 projects will be approved during the fiscal year 1957; and that the remaining 12 projects will qualify for assistance in subsequent years. For the 8 projects which are expected to get underway in fiscal 1956, up to $2.8 million (or $350,000 each) is being made available from the President's special fund under section 401 of the Mutual Security Act of 1954. The authorization of $5,950,000 contained in section 11 of the bill will provide for 17 contributions of $350,000 each toward the projects expected to be approved during fiscal 1957.

The committee believes that this activity will prove helpful to the foreign countries which participate and will return dividends in cooperation and knowledge to the United States. The authorization in section 12 of the bill will make an important contribution to the success of the atoms-for-peace program. The bill makes provision for appropriate publicity regarding the United States contribution to the program.

30. TRANSFER OF FUNDS FOR EDUCATIONAL EXCHANGE (SEC. 13)

Section 13 of the bill expresses the sense of Congress that $11 million of the funds made available should be transferred, in the discretion of the President, to the Department of State for international educational exchange activities. The bill specifies that the amount so transferred shall be in addition to funds otherwise appropriated for such

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activities and that not more than $500,000 of the amount transferred may be used for administrative expenses.

This section is designed to make available for the exchange program in fiscal 1957 the full amount of $31 million recommended by the Advisory Commission on Educational Exchange. The budget request for this activity was reduced to $20 million in the process of fitting it into an overall ceiling for the Department of State. This budget request of $20 million was appropriated in the State Department appropriation bill. It seems to the committee, however, to be highly important that the full amount recommended by the Advisory Commission be provided. The educational exchange program is widely recognized as one of the most effective long-term activities of the United States Government. The Soviet Union is increasingly entering the exchange-of-persons field and our own activities in this respect should be stepped up.

31. TECHNICAL DEFINITIONS (SEC. 11 (b) (2))

This provision of the bill would add in section 545 of the act two new subsections defining the terms "agency administering nonmilitary assistance" and "officer administering nonmilitary assistance" as any agency or officer to whom nonmilitary functions are delegated under the act. The terms in question are employed in a number of places in the proposed bill. Using these general terms in the act, rather than the specific titles of individual agencies and officers, will avert the need to make numerous cumbersome technical amendments in the act to reflect any changes in organizational titles and arrangements with respect to administration of nonmilitary assistance.

32. COTTON TEXTILE IMPORTS

The committee gave earnest consideration to a proposal which would have resulted in quota restrictions on imports of cotton textiles and certain other products. There is no doubt that some segments of the cotton textile industry in the United States are now in economic distress as the result of imports of low-priced Japanese products—principally blouses, velveteens, and ginghams. On the other hand, total imports of cotton cloth into the United States in 1955 amounted to only 133 million square yards, or 1.2 percent of the domestic production of 11 billion square yards. United States exports of raw cotton to Japan total $120 million a year as compared to United States imports of cotton textiles from Japan of $60 million. It must also be remembered that Japan is the largest single customer for American agricultural exports. These exports include important quantities of wheat, rice, and soybeans, as well as cotton.

These facts are recited not to belittle the problem of particular segments of the American cotton textile industry but to indicate some of the ramifications of a quota approach to that problem. The Japanese have themselves voluntarily limited their exports of these products to the American market. But the Japanese must export somewhere; otherwise, they cannot maintain a reasonable standard of living. One of the objectives of American policy in the Far East is to develop more intraregional trade between Japan and other free Asia

nations. In the absence of this trade and in the absence of trade with the United States, the pressure will become intense for Japan to look to the Soviet Union and to Communist China as trading partners. The political and military consequences to the United States of Japan thus slipping into the Soviet orbit would be enormous.

Meanwhile there is provision in existing law for procedures to be followed by the affected American textile manufacturers in seeking relief. The Tariff Commission is now actively engaged in hearings under these procedures. The committee hopes that the Tariff Commission and other interested agencies of the executive branch continue to pursue this matter expeditiously so that some final action may be had before Congress adjourns. The committee expects the executive branch to keep it informed of developments in this regard.

The problem involved here is of great concern to the Foreign Relations Committee, but the committee was in some doubt as to its jurisdiction over the question in the precise form in which it was presented—namely, a proposal involving tariffs. For these and other reasons which have been indicated, therefore, the committee voted to refer the matter to the Committee on Finance with an expression of the Foreign Relations Committee's hope that the Finance Committee would follow the Tariff Commission proceedings closely and would give the question its most careful consideration.

Changes in Existing Law

In compliance with subsection (4) of Rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

MUTUAL SECURITY ACT OF 1954

AN ACT To promote the security and foreign policy of the United States by furnishing assistance to friendly nations, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Mutual Security Act of 1954".

Sec. 2. Statement of Policy.—(a) The Congress of the United States, recognizing that the peace of the world and the security of the United States are endangered as long as international communism and the nations it controls continue by threat of military action, use of economic pressure, internal subversion, or other means to attempt to bring under their domination peoples now free and independent and continue to deny the rights of freedom and self-government to peoples and nations once free but now subject to such domination, declares it to be the policy of the United States to continue as long as such danger to the peace of the world and to the security of the United States persists to make available to free nations and peoples upon request assistance of such nature and in such amounts as the United States deems advisable to provide compatible with its own stability, strength,

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and other obligations, and as may be needed and effectively used by such free nations and peoples to help them maintain their freedom.

(*b*) It is the sense of the Congress that inasmuch as—

(1) the United States, through mutual security programs, has made substantial contributions to the economic recovery and rehabilitation of the nations of western Europe;

(2) due in part to those programs, it has been possible for such nations to achieve complete economic recovery and to regain their military strength; and

(3) certain other friendly nations of the world remain in need of assistance in order that they may defend themselves against aggression and contribute to the security of the free world,

those nations that have been assisted in their recovery should, in the future, share with the United States to a greater extent the financial burden of providing aid to those countries which are still in need of assistance of the type provided under this Act.

(*c*) It is the sense of the Congress that assistance under this Act, shall be administered so as to assist other peoples in their efforts to achieve self-government or independence under circumstances which will enable them to assume an equal station among the free nations of the world and to fulfill their responsibilities for self-government or independence.

(*d*) *It is the sense of the Congress that assistance furnished out of funds hereafter made available for aid to the newly independent states in Africa should be furnished in the same manner as in the case of other independent states.*

TITLE I—MUTUAL DEFENSE ASSISTANCE

CHAPTER 1. MILITARY ASSISTANCE

SEC. 103. AUTHORIZATIONS.—(a) (1) There is hereby authorized to be appropriated to the President, in addition to appropriations authorized by section 104, not to exceed $1,270,000,000 to carry out the purpose of this chapter; and, in addition, unexpended balances of appropriations for military assistance under each paragraph of the Mutual Security Appropriation Act, 1954 (including the appropriation for mutual special weapons planning), are hereby authorized to be continued available for the purpose of this chapter and to be consolidated with the appropriation authorized by this subsection; all of which is hereby authorized to be continued available through June 30, 1955.

(2) In addition, there is hereby authorized to be appropriated to the President to carry out the purposes of this chapter not to exceed $1,133,000,000, to remain available until expended.

(*3*) *There is hereby authorized to be appropriated to the President for the fiscal year 1957 program to carry out the purposes of this chapter not to exceed $925,000,000 which shall remain available until expended.*

(4) In addition to the authorization in paragraph (3) of this section, there is hereby authorized to be appropriated to the President not to exceed $1,600,000,000 to remain available until expended and to be used only for the purpose of purchasing equipment and materials for the Armed Forces of the United States, in replacement for equipment and

materials of a corresponding value which the Secretary of Defense is hereby authorized to furnish from Department of Defense stocks in accordance with the terms of this Act applicable to military assistance and within the limits of appropriations made pursuant to this authorization. In the discretion of the Secretary of Defense, the Department of Defense may use such appropriations for replacement in advance of delivery of such equipment and materials in the possession of the Department of Defense or may incur, in applicable appropriations, obligations in anticipation of reimbursement from such appropriations for replacement.

(b) Funds made available pursuant to subsection (a) of this section shall be available for the administrative and operating expenses of carrying out the purpose of this chapter and of section 124 including expenses incident to United States participation in international security organizations.

(c) When appropriations made pursuant to subsection (a) of this section are used to furnish military assistance on terms of repayment within ten years or earlier such assistance may be furnished, notwithstanding sections 105, 141, and 142, to nations eligible to purchase military equipment, materials, and services under section 106.

* * * * * * *

SEC. 105. CONDITIONS APPLICABLE TO MILITARY ASSISTANCE.—(a) Military assistance may be furnished under this chapter to any nation whose increased ability to defend itself the President shall have determined to be important to the security of the United States and which is otherwise eligible to receive such assistance. Equipment and materials furnished under this chapter shall be made available solely to maintain the internal security and legitimate self-defense of the recipient nation, or to permit it to participate in the defense of its area or in collective security arrangements and measures consistent with the Charter of the United Nations. The President shall be satisfied that such equipment and materials will not be used to undertake any act of aggression against any nation.

(b) In addition to the authority and limitations contained in the preceding subsection, the following provisions shall apply to particular areas:

(1) The Congress welcomes the recent progress in European cooperation and reaffirms its belief in the necessity of further efforts toward political federation, military integration, and economic unification as a means of building strength, establishing security, and preserving peace in the North Atlantic area. In order to provide further encouragement to such efforts, the Congress believes it essential that this Act should be so administered as to support concrete measures to promote greater political federation, military integration, and economic unification in Europe.

(2) Military assistance furnished to any nation in the Near East and Africa to permit it to participate in the defense of its area shall be furnished only in accordance with plans and arrangements which shall have been found by the President to require the recipient nation to take an important part therein.

(3) In furnishing military assistance in Asia and in carrying out the provisions of section 121 of this Act, the President shall

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give the fullest assistance, as far as possible directly, to the free peoples in that area, including the Associated States of Cambodia, Laos, and Vietnam, in their creation of a joint organization, consistent with the Charter of the United Nations, to establish a program of self-help and mutual cooperation designed to develop their economic and social well-being, to safeguard basic rights and liberties, and to protect their security and independence.

(4) Military assistance may be furnished to the other American Republics only in accordance with defense plans which shall have been found by the President to require the recipient nation to participate in missions important to the defense of the Western Hemisphere.

[(c) The Secretary of Defense shall insure that the value (as determined pursuant to section 545) of equipment, materials, and services heretofore furnished under military assistance programs authorized by Acts repealed by this Act or hereafter furnished pursuant to section 103 (a) to nations or organizations in each of the four areas named in this subsection shall not exceed the total of the funds heretofore made available for military assistance in that area pursuant to Acts repealed by this Act plus the amount herein specified for that area:

[(1) In the European area (excluding Greece and Turkey, $617,500,000.

[(2) In the Near East (including Greece and Turkey) and Africa, $181,200,000.

[(3) In Asia, $583,600,000.

[(4) In the Western Hemisphere, $13,000,000.

[(d) Whenever the President determines it to be necessary for the purpose of this title, equipment, materials, and services of a value not to exceed 15 per centum of the sum of (1) that portion of the unexpended balances referred to in section 103 (a) which was available on June 30, 1954, to furnish assistance in any of the areas named in subsection (c) of this section, and (2) the amount specified in the applicable paragraph of subsection (c) of this section for additional assistance in such area, may be furnished in any other such area or areas, notwithstanding the limitations set forth in subsection (c) of this section. Funds heretofore obligated or programmed or hereafter made available solely for the purpose of section 104 (pertaining to infrastructure) shall not be included in the total fixed for each such area. Funds heretofore appropriated for military assistance in a particular geographic area but transferred from such use under section 513 of the Mutual Security Act of 1951, as amended, or under section 408 (c) of the Mutual Defense Assistance Act, shall be included in the total for the area for the benefit of which such transfer was made, and not in the total for the area from which the transfer was made.]

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CHAPTER 3—DEFENSE SUPPORT

SEC. 131. GENERAL AUTHORITY.—(a) The President is hereby authorized to furnish, to nations and organizations eligible to receive military assistance under chapter 1 of this title, or to nations which have joined with the United States in a regional collective defense arrangement, commodities, services, and financial and other assistance

designed to sustain and increase military effort. In furnishing such assistance, the President may provide for the procurement and transfer from any source of any commodity or service (including processing, storing, transporting, marine insurance, and repairing) or any technical information and assistance.

(b) There is hereby authorized to be appropriated to the President for the fiscal year 1955 to carry out the provisions of this section, not to exceed—

(1) $46,000,000 for Europe (excluding Greece and Turkey);
(2) $73,000,000 for the Near East (including Greece and Turkey, Africa, and South Asia; and
(3) $80,098,195 for the Far East and the Pacific.

In addition, unexpended balances of appropriations heretofore made pursuant to section 541 of the Mutual Security Act of 1951, as amended, are hereby authorized to be continued available for the purpose of this subsection through June 30, 1955, and to be consolidated with the appropriation authorized for the same area by this subsection: *Provided*, That portions of such unexpended balances which have been allocated to assistance for Greece and Turkey shall be consolidated with the appropriation authorized by paragraph (2) of this subsection.

(c) There is hereby authorized to be appropriated to the President for the fiscal year 1956 to carry out the provisions of this section, not to exceed—

(1) $92,000,000 for Europe (excluding Greece and Turkey);
(2) $102,500,000 for the Near East (including Greece and Turkey) and Africa; and
(3) $827,800,000 for Asia [.];
and for the fiscal year 1957 not to exceed—

(1) $78,700,000 for Europe (excluding Greece and Turkey;
(2) $170,000,000 for the Near East (including Greece and Turkey) and Africa;
(3) $882,000,000 for Asia; and
(4) $37,000,000 for Latin America.

Funds made available under paragraph (4) may be used to furnish assistance designed to sustain and increase military effort or political or economic stability, and may be used without regard to the requirements of sections 141 and 142 in the case of any nation which is a party to the Inter-American Treaty of Reciprocal Assistance and which has adhered to the resolution of 1954 entitled "Declaration of Solidarity for the Preservation of the Political Integrity of the American States against the Intervention of International Communism."

Funds made available for assistance to Korea from appropriations authorized by this section may be used in accordance with the applicable provisions of section 132 of this Act.

(d) In providing assistance in the procurement of commodities in the United States, United States dollars shall be made available for marine insurance on such commodities where such insurance is placed on a competitive basis in accordance with normal trade practice prevailing prior to the outbreak of World War II: *Provided*, That in the event a participating country, by statute, decree, rule, or regulation, discriminates against any marine insurance company authorized to do business in any State of the United States, then commodities purchased

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with funds provided hereunder and destined for such country shall be insured in the United States against marine risk with a company or companies authorized to do a marine insurance business in any State of the United States.

CHAPTER 4—GENERAL PROVISIONS RELATING TO MUTUAL DEFENSE ASSISTANCE

* * * * * * *

SEC. 143. Notwithstanding any other provision of law, no assistance under this title or any other title of this Act, or under any provision of law repealed by section 542 (a) of this Act, shall be furnished to Yugoslavia after the expiration of 90 days following the date of the enactment of this section, unless the President finds (1) that there has been no change in the Yugoslavian policies on the basis of which assistance under this Act has been furnished to Yugoslavia in the past, and that Yugoslavia is independent of control by the Soviet Union, and (2) that it is in the interest of the national security of the United States to continue the furnishing of assistance to Yugoslavia under this Act.

TITLE II—DEVELOPMENT ASSISTANCE

SEC. 201. AUTHORIZATION.—(a) There is hereby authorized to be appropriated to the President for the fiscal year 1955, not to exceed—

(1) $115,000,000 for assistance designed to promote the economic development of the Near East and Africa, and for other types of assistance designed to help maintain economic and political stability in the area;

(2) $75,000,000 for assistance designed to promote the economic development of Asia and to assist in maintaining economic and political stability in the area; and

(3) $9,000,000 for assistance designed to promote economic development in the other American Republics and non-self-governing territories of the Western Hemisphere and to assist in maintaining economic and political stability in the area.

Such assistance may be furnished on such terms and conditions as the President may specify and shall emphasize loans rather than grants wherever possible.

(b) In addition, unexpended balances of appropriations heretofore made pursuant to sections 206 and 302 (b) of the Mutual Security Act of 1951, as amended, and unexpended balances of funds allocated to the emergency economic aid program for Bolivia are hereby authorized to be continued available for the purposes of this section through June 30, 1955, and to be consolidated with the appropriations authorized by paragraphs (1), (2), and (3) of subsection (a) of this section, respectively.

(c) There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed $73,000,000, $71,000,000 and $38,000,000, to furnish asssitance under paragraphs (1), (2), and (3), respectively, of subsection (a) of this section.

(d) There is hereby authorized to be appropriated to the President for the fiscal year 1957 not to exceed $63,000,000 and $80,000,000 to

furnish assistance under paragraphs (1) and (2) respectively, of subsection (a) of this section.

(e) Funds made available under this title may be used for expenses (other than those provided for under section 411 (c) of this Act) to assist in carrying out functions under the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U. S. C. 1691 and the following), delegated or assigned to any agency or officer administering nonmilitary assistance.

SEC. 202. ADMINISTRATION.—Except as necessary to accomplish the purposes of section 201, programs of assistance authorized by that section shall be administered in accordance with sections 303 and 308 (relating to technical cooperation). The authority provided in section 307 may be exercised for purposes of furnishing assistance under section 201.

SEC. 203. REQUIREMENT REGARDING FURNISHING ASSISTANCE ON TERMS OF REPAYMENT.—*Seventy-five per centum of the assistance furnished from funds made available after the date of enactment of the Mutual Security Act of 1956 under this title or under section 420 may be provided only on terms of repayment, except (1) when such funds are used to finance sales of surplus agricultural commodities under section 402, or (2) when granted for the purpose of a regional project involving two or more beneficiary nations.*

TITLE III—TECHNICAL COOPERATION

* * * * * * *

SEC. 304. AUTHORIZATION.—(a) There is hereby authorized to be appropriated to the President for the fiscal year 1955 $88,570,000 for technical cooperation programs in the Near East, Africa, South Asia, and Far East and Pacific, and $28,500,000 for such programs in Latin America. In addition, unexpended balances of appropriations heretofore made pursuant to section 543 of the Mutual Security Act of 1951, as amended, are authorized to be continued available for the purposes of this section through June 30, 1955, and to be consolidated with the appropriation authorized by this section.

(b) There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed $146,500,000, *and for the fiscal year 1957 not to exceed $140,500,000* for technical cooperation programs in the Near East and Africa, Asia and Latin America.

SEC. 305. LIMITATION ON USE OF FUNDS.—Funds made available under section 304 may be expended to furnish assistance in the form of equipment or commodities only where necessary for instruction or demonstration purposes.

SEC. 306. MULTILATERAL TECHNICAL COOPERATION.—As one means of accomplishing the purposes of this title, the United States is authorized to participate in multilateral technical cooperation programs carried on by the United Nations, the Organization of American States, their related organizations, and other international organizations, wherever practicable. There is hereby authorized to be appropriated to carry out the purpose of this section, in addition to the amounts authorized by section 304, not to exceed—

(a) $17,958,000 for making contributions to the United Nations Expanded Program of Technical Assistance; in addition, $24,000,000

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for the fiscal year 1956 [for contributions to the United Nations Expanded Program of Technical Assistance;], *and $15,500,000 for the fiscal year 1957, for such contributions;*

(b) $1,500,000 for making contributions to the technical cooperation program of the Organization of American States; in addition, $1,500,000 for the fiscal year 1956 [for contributions to the technical cooperation programs of the Organization of American States.], *and $1,500,000 for the fiscal year 1957, for such contributions.*

SEC. 307. ADVANCES AND GRANTS; CONTRACTS.—The President may make advances and grants-in-aid of technical cooperation programs to any person, corporation, or other body of persons or to any foreign government agency. The President may make and perform contracts and agreements in respect to technical cooperation programs on behalf of the United States Government with any person, corporation, or other body of persons however designated, whether within or without the United States, or with any foreign government or foreign government agency. A contract or agreement which entails commitments for the expenditure of funds appropriated pursuant to this title may, subject to any future action of the Congress, [run for not to exceed three years.] *extend at any time for not more than three years.*

* * * * * * *

TITLE IV—OTHER PROGRAMS

SEC. 401. SPECIAL FUND.—(a) Of the funds made available under this Act, not to exceed [$50,000,000] *$150,000,000*, in addition to the funds authorized to be appropriated under subsection (b) hereof, may be used in any fiscal year, without regard to the requirements of this Act or any other Act for which funds are authorized by this Act, in furtherance of any of the purposes of such Acts, when the President determines that such use is important to the security of the United States. Not to exceed $100,000,000 of the funds available under this section may be expended for any selected persons who are residing in or escapees from the Soviet Union, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, Albania, Lithuania, Latvia, and Estonia or the Communist-dominated or Communist-occupied areas of Germany [and Austria], or any Communist-dominated or Communist-occupied areas of Asia and any other countries absorbed by the Soviet Union, either to form such persons into elements of the military forces supporting the North Atlantic Treaty Organization or for other purposes, when the President determines that such assistance will contribute to the defense of the North Atlantic area or to the security of the United States. Certification by the President that he has expended amounts under this Act not in excess of $50,000,000, and that it is inadvisable to specify the nature of such expenditures, shall be deemed a sufficient voucher for such amounts. Not more than [$20,000,000] *$30,000,000* of the funds available under this section may be allocated to any one nation in any fiscal year.

(b) There is hereby authorized to be appropriated to the President for the fiscal year 1956 $100,000,000, *and for the fiscal year 1957 not to exceed $100,000,000*, for use in accordance with subsection (a) of this section.

SEC. 402. EARMARKING OF FUNDS.—Of the funds authorized to be made available pursuant to this Act for the fiscal year 1956, not less than $300,000,000, *and of the funds so authorized for the fiscal year 1957 not less than $250,000,000*, shall be used to finance the export and sale for foreign currencies of surplus agricultural commodities or products thereof produced in the United States, in addition to surplus agricultural commodities or products transferred pursuant to the Agricultural Trade Development and Assistance Act of 1954, and in accordance with the standards as to pricing and the use of private trade channels expressed in section 101 of said Act. Foreign currency proceeds accruing from such sales shall be used for the purposes of this Act and with particular emphasis on the purposes of section 104 of the Agricultural Trade Development and Assistance Act of 1954 which are in harmony with the purposes of this Act. Notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, the President may use or enter into agreements with friendly nations or organizations of nations to use for such purposes the foreign currencies which accrue to the United States under this section.

SEC. 403. SPECIAL ASSISTANCE IN JOINT CONTROL AREAS.—(a) The President is hereby authorized to furnish commodities, services, and financial and other assistance to nations and areas for which the United States has responsibility at the time of the enactment of this Act as a result of participation in joint control arrangements where found by the President to be in the interest of the security of the United States. There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed $25,000,000 to carry out this section.

(b) There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed $21,000,000, *and for the fiscal year 1957 not to exceed $12,200,000*, to carry out this section.

SEC. 405. MIGRANTS, REFUGEES, AND ESCAPEES.—(a) The President is hereby authorized to continue membership for the United States on the Intergovernmental Committee for European Migration in accordance with its constitution approved in Venice, Italy, on October 19, 1953. For the purpose of assisting in the movement of migrants, there is hereby authorized to be appropriated not to exceed $11,189,190 for contributions during the calendar year 1955 to the Intergovernmental Committee for European Migration, and thereafter such amounts as may be necessary from time to time for the payment by the United States of its contributions to the Committee and all necessary salaries and expenses incident to United States participation in the Committee. In addition, the unexpended balance of the appropriation made pursuant to section 534 of the Mutual Security Act of 1951, as amended, is hereby authorized to be continued available for the purpose of this subsection through June 30, 1955, and to be consolidated with the appropriation authorized in this subsection.

(b) Of the funds made available under this Act, not more than $800,000 may be used by the President to facilitate the migration to the other American Republics of persons resident in that portion of the Ryukyu Island Archipelago under United States control.

(c) There is hereby authorized to be appropriated for the fiscal year 1956 not to exceed $1,400,000, *and for the fiscal year 1957 not to*

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exceed $2,300,000, for contributions to the United Nations Refugee Fund.

(d) There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed $6,000,000, *and for the fiscal year 1957 not to exceed $7,000,000*, for continuation of activities, including care, training, and resettlement, which have been undertaken for selected escapees under section 401 of this Act.

SEC. 406. CHILDREN'S WELFARE.—(a) There is hereby authorized to be appropriated not to exceed $13,500,000 for contributions during the fiscal year 1955 to the United Nations Children's Fund.

(b) There is hereby authorized to be appropriated for the fiscal year 1956 not to exceed $14,500,000, *and for the fiscal year 1957 not to exceed $10,000,000*, for contributions to the United Nations Children's Fund.

SEC. 407. PALESTINE REFUGEES IN THE NEAR EAST.—(a) There is hereby authorized to be appropriated to the President for the fiscal year 1955, not to exceed $30,000,000, to be used to make contributions to the United Nations Relief and Works Agency for Palestine Refugees in the Near East. In addition, the unexpended balance of the appropriation made for the Palestine refugee program in the Mutual Security Appropriation Act, 1954, is hereby authorized to be continued available for the purpose of this section through June 30, 1955. Whenever the President shall determine that it would more effectively contribute to the relief, rehabilitation, and resettlement of Palestine refugees in the Near East, he may expend any part of the funds made available pursuant to this section through any other agency he may designate.

(b) There is hereby authorized to be appropriated to the President [for the fiscal year 1956] not to exceed $65,000,000 to be used to make contributions to the United Nations Relief and Works Agency for Palestine Refugees in the Near East.

* * * * * * *

SEC. 409. OCEAN FREIGHT CHARGES.—

* * * * * * *

(c) There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed $4,400,000 to carry out the purposes of this section; and, in addition, unexpended balances of appropriations heretofore made pursuant to section 535 of the Mutual Security Act of 1951, as amended, are authorized to be continued available for the purposes of this section through June 30, 1955, and to be consolidated with the appropriation authorized in this section. There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed $2,000,000, *and for the fiscal year 1957 not to exceed $3,000,000*, to carry out the purposes of this section.

(d) There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed $13,000,000 to pay ocean freight charges on shipments of surplus agricultural commodities, including commodities made available pursuant to any Act for the disposal abroad of United States agricultural surpluses. In addition, any funds made available under this Act may be used, in amounts determined by the President, for the purposes of this subsection.

SEC. 410. CONTROL ACT EXPENSES.—There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed

$1,300,000, and for the fiscal year 1956 not to exceed $1,175,000, *and for the fiscal year 1957 not to exceed $1,175,000*, for carrying out the objectives of the Mutual Defense Assistance Control Act of 1951 (22 U. S. C. 1611). In addition, in accordance with section 303 of that Act, funds made available for carrying out chapter 1 of title I of this Act shall be available for carrying out the purpose of this section in such amounts as the President may direct.

SEC. 411. ADMINISTRATIVE AND OTHER EXPENSES.—

* * * * * * *

(b) There is hereby authorized to be appropriated to the President for the fiscal year 155 not to exceed $34,700,000, and for the fiscal year 1956 not to exceed $35,225,000, [for all necessary administrative expenses incident to carrying out the provisions of this Act other than chapter 1 of title I and section 124] *and for the fiscal year 1957 not to exceed $35,250,000 for necessary administrative expenses incident to carrying out the provisions of this Act (other than chapter 1 of title I and section 124).*

(c) Not to exceed $1,500,000 of funds made available under title II may be transferred in the fiscal year 1957 for necessary administrative expenses not otherwise provided for incident to carrying out functions under the Agricultural Trade and Development Assistance Act of 1954, as amended (7 U. S. C. 1691 et seq.), delegated or assigned to any agency or officer administering nonmilitary assistance, and the amounts so transferred shall be consolidated with funds made available pursuant to this section for said fiscal year.

(d) There are authorized to be appropriated to the Department of State such amounts, not to exceed $7,000,000 in any fiscal year, as may be necessary from time to time for administrative expenses which are incurred for normal functions of the Department which relate to functions under this Act.

(e) [(c)] Funds made available for the purposes of this Act may be used for compensation, allowances, and travel of personnel, including Foreign Service personnel whose services are utilized primarily for the purposes of this Act, and without regard to the provisions of any other law, for printing and binding, and for expenditures outside the continental limits of the United States for the procurement of supplies and services and for other administrative and operating purposes (other than compensation of personnel) without regard to such laws and regulations governing the obligation and expenditure of Government funds as may be necessary to accomplish the purposes of this Act.

* * * * * * *

SEC. 413. ENCOURAGEMENT OF FREE ENTERPRISE AND PRIVATE PARTICIPATION.—(a) The Congress recognizes the vital role of free enterprise in achieving rising levels of production and standards of living essential to the economic progress and defensive strength of the free world. Accordingly, it is declared to be the policy of the United States to encourage the efforts of other free nations to increase the flow of international trade, to foster private initiative and competition, to discourage monopolistic practices, to improve the technical efficiency of their industry, agriculture and commerce, and to

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strengthen free labor unions; and to encourage the contribution of United States enterprise toward economic strength of other free nations, through private trade and investment abroad, private participation in the programs carried out under this Act (including the use of private trade channels to the maximum extent practicable in carrying out such programs), and exchange of ideas and technical information on the matters covered by this section.

(b) In order to encourage and facilitate participation by private enterprise to the maximum extent practicable in achieving any of the purposes of this Act, the President—

(1) shall make arrangements to find and draw the attention of private enterprise to opportunities for investment and development in other free nations;

(2) shall accelerate a program of negotiating treaties for commerce and trade, including tax treaties, which shall include provisions to encourage and facilitate the flow of private investment to, *and its equitable treatment in*, nations participating in programs under this Act;

(3) shall, consistent with the security and best interests of the United States, seek compliance by other countries or a dependent area of any country with all treaties for commerce and trade and taxes and shall take all reasonable measures under this Act or other authority to secure compliance therewith and to assist United States citizens in obtaining just compensation for losses sustained by them or payments exacted from them as a result of measures taken or imposed by any country or dependent area thereof in violation of any such treaty; and

(4) may make, until [June 30, 1957] *June 30, 1967*, under rules and regulations prescribed by him, guaranties to any person of investments in connection with projects, including expansion, modernization, or development of existing enterprises, in any nation with which the United States has agreed to institute the guaranty program. *Provided*, That—

(A) such projects shall be approved by the President as furthering any of the purposes of this Act, and by the nation concerned;

(B) the guaranty to any person shall be limited to assuring any or all of the following:

(i) the transfer into United States dollars of other currencies, or credits in such currencies, received by such person as earnings or profits from the approved project, as repayment or return of the investment therein, in whole or in part, or as compensation for the sale or disposition of all or any part thereof;

(ii) the compensation in United States dollars for loss of all or any part of the investment in the approved project which shall be found by the President to have been lost to such person by reason of expropriation or confiscation by action of the government of a foreign nation;

(C) when any payment is made to any person pursuant to a guaranty as hereinbefore described, the currency, credits, assets, or investment on account of which such payment is

made shall become the property of the United States Government, and the United States Government shall be subrogated to any right, title, claim or cause of action existing in connection therewith;

(D) the guaranty to any person shall not exceed the amount of dollars invested in the project by such person with the approval of the President plus actual earnings or profits on said project to the extent provided by such guaranty, and shall be limited to a term not exceeding twenty years from the date of issuance;

(E) a fee shall be charged in an amount not exceeding 1 per centum per annum of the amount of each guaranty under clause (i) of subparagraph (B) and not exceeding 4 per centum of the amount of each guaranty under clause (ii) of such subparagraph, and all fees collected hereunder shall be available for expenditure in discharge of liabilities under guaranties made under this section until such time as all such liabilities have been discharged or have expired, or until all such fees have been expended in accordance with the provisions of this section;

[(F) the President is authorized to issue guaranties up to a total of $200,000,000: *Provided*, That any funds allocated to a guaranty and remaining after all liability of the United States assumed in connection therewith has been released, discharged, or otherwise terminated, shall be available for allocation to other guaranties, the foregoing limitation notwithstanding. Any payments made to discharge liabilities under guaranties issued under this subsection shall be paid out of fees collected under subparagraph (E) as long as such fees are available, and thereafter shall be paid out of funds realized from the sale of notes which have been issued under authority of paragraph 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, when necessary to discharge liabilities under any such guaranty;]

(F) the President is authorized to issue guaranties up to a total face value of $500,000,000 exclusive of informational media guaranties heretofore and hereafter issued pursuant to section 1011 of the Act of January 27, 1948, as amended (22 U. S. C. 1442), and section 111 (b) (3) of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1509 (b) (3)): Provided, That any funds allocated to a guaranty and remaining after all liability of the United States assumed in connection therewith has been released, discharged, or otherwise terminated, and funds realized after June 30, 1955, from the sale of currencies or other assets acquired pursuant to subparagraph (C), shall be available for allocation to other guaranties, and the foregoing limitation shall be increased to the extent that such funds become available. Any payments made to discharge liabilities under guaranties issued under this paragraph shall be paid out of fees collected under subparagraph (E) as long as such fees are available, and thereafter shall be paid out of funds realized from the sale of currencies or other assets acquired pursuant to subpara-

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graph (C) and notes which have been issued under authority of paragraph 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, and authorized to be issued under this paragraph by the Director of the International Cooperation Administration, when necessary to discharge liabilities under any such guaranty: Provided, That all guaranties issued after June 30, 1956, pursuant to this paragraph shall be considered for the purpose of sections 3679 (31 U. S. C. 665) and 3732 (41 U. S. C. 11) of the Revised Statutes, as amended, as obligations only to the extent of the probable ultimate net cost to the United States of such guaranties; and the President shall, in the submission to the Congress of the reports required by section 534 of this Act, include information on the operation of this paragraph: Provided further, That at all times funds shall be allocated to all outstanding guaranties issued prior to July 1, 1956, exclusive of informational media guaranties issued pursuant to section 1011 of the Act of January 27, 1948, as amended (22 U. S. C. 1442), and section 111 (b) (3) of the Economic Cooperation Act of 1948, as amended, equal to the sum of the face value of said guaranties. For the purpose of this paragraph the Director of the International Cooperation Administration is authorized to issue notes (in addition to the notes heretofore issued pursuant to paragraph 111 (c) (2) of the Economic Cooperation Act of 1948, as amended) in an amount not to exceed $37,500,000, and on the same terms and conditions applicable to notes issued pursuant to said paragraph 111 (c) (2).

(G) the guaranty program authorized by this paragraph shall be used to the maximum practicable extent and shall be administered under broad criteria so as to facilitate and increase the participation of private enterprise in achieving any of the purposes of this Act;

(H) as used in this paragraph—

(i) the term "person" means a citizen of the United States or any corporation, partnership, or other association created under the law of the United States or of any State or Territory and substantially beneficially owned by citizens of the United States, and

(ii) the term "investment" includes any contribution of capital goods, materials, equipment, services, patents, processes, or techniques by any person in the form of (1) a loan or loans to an approved project, (2) the purchase of a share of ownership in any such project, (3) participation in royalties, earnings, or profits of any such project, and (4) the furnishing of capital goods items and related services pursuant to a contract providing for payments in whole or in part after the end of the fiscal year in which the guaranty of such investment is made.

* * * * *

SEC. 418. PRESIDENT'S FUND FOR ASIAN ECONOMIC DEVELOPMENT.—(a) The Congress of the United States reaffirms the policy of the United States to contribute to international peace and security through assisting the peoples of free Asia in their efforts to attain economic and

social well-being, to safeguard basic rights and liberties, and to protect their security and independence. The Congress hereby recognizes that fundamental to these goals is an expanding economic growth of the free Asia area based upon self-help and mutual cooperation and full utilization of already existing resources and knowledge. The Congress expresses the willingness of the people of the United States to support the foregoing objectives to the extent to which the countries in the area continue to make effective use of their own resources and external resources otherwise available to them.

(b) In order to carry out the purposes of this section, there is hereby authorized to be established a fund, to be known as the "President's Fund for Asian Economic Development" (hereinafter referred to as "the Fund") and there is hereby authorized to be appropriated to the President for the Fund an amount of $200,000,000, such amount to remain available until June 30, 1958.

(c) The President is authorized to utilize the appropriations made available for the Fund to accomplish in the free Asian area the policies and purposes declared in this Act and to disburse on such terms and conditions, including transfer of funds, as he may specify to any person, corporation, or other body of persons however designated, or to any friendly foreign government, agency, or organization or group of friendly governments or agencies as may be appropriate: *Provided, however,* That such assistance shall emphasize loans rather than grants wherever possible, and not less than 50 per centum of the funds appropriated pursuant to this section shall be available only for furnishing assistance on terms of repayment in accordance with the provisions of section 505, and not more than 25 per centum of said funds may be allocated for assistance to any one nation.

(d) In utilizing the Fund the President shall give preference to projects or programs that will clearly contribute to promoting greater economic strength in the area as a whole or among a group or groups of countries of the area.

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Sec. 420. Special Authorization for the Middle East and Africa.—There is hereby authorized to be appropriated to the President for the fiscal year 1957 not to exceed $100,000,000 for assistance in the general area of the Middle East and Africa in accordance with provisions in this Act applicable to the furnishing of assistance under chapter 3 of title I, title II, title III or section 407.

Sec. 421. Food and Agricultural Organization.—Public Law 174, Seventy-ninth Congress, as amended by section 1 (b) of Public Law 806, Eighty-first Congress, is hereby further amended by striking out the figure "2,000,000" in section 2 thereof and inserting in lieu thereof the figure "3,000,000", and by inserting before the period at the end of such section a colon and the following: "Provided, That the percentage contribution of the United States to the total annual budget of the Organization shall not exceed 31.5 per centum".

TITLE V—MISCELLANEOUS PROVISIONS

Chapter 1. General Provisions

Sec. 501. Transferability of Funds.—Whenever the President determines it to be necessary for the purposes of this Act, not to exceed

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10 per centum of the funds made available pursuant to any provision of this Act may be transferred to and consolidated with the funds made available pursuant to any other provisions of this Act, and may be used for any of the purposes for which such funds may be used, except that the total in the provision for the benefit of which the transfer is made shall not be increased by more than 20 per centum of the amount made available for such provision pursuant to this Act. [Funds transferred under this section to furnish military assistance under chapter 1 of title I may be expended without regard to the area limits imposed by section 105 (c). Of any funds transferred under this section for the purpose of furnishing assistance under section 201, 30 per centum shall be available only for furnishing assistance on terms of repayment in accordance with section 505. Not less than 50 per centum of any assistance furnished under paragraph (1), (2), or (3) of section 201 (a) with funds transferred under this section shall be furnished on terms of repayment in accordance with section 505.]

SEC. 502. USE OF FOREIGN CURRENCY.—(a) Notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, proceeds of sales made under section 550 of the Mutual Security Act of 1951, as amended, shall remain available and shall be used for any purposes of this Act, giving particular regard to the following purposes—

(1) for providing military assistance to nations or mutual defense organizations eligible to receive assistance under this Act;

(2) for purchase of goods or services in friendly nations;

(3) for loans, under applicable provisions of this Act, to increase production of goods or services, including strategic materials, needed in any nation with which an agreement was negotiated, or in other friendly nations, with the authoity to use currencies received in repayment for the purposes stated in this section or for deposit to the general account of the Treasury of the United States;

(4) for developing new markets on a mutually beneficial basis;

(5) for grants-in-aid to increase production for domestic needs in friendly countries; and

(6) for purchasing materials for United States stockpiles.

(b) Notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, local currencies owned by the United States shall be made available to appropriate committees of the Congress engaged in carrying out their duties under section 136 of the Legislative Reorganization Act of 1946, as amended, and to the Joint Committee on Atomic Energy and the Joint Committee on the Economic Report and the Senate Select Committee on Small Business for their local currency expenses: *Provided*, That any such committee of the Congress which uses local currency shall make a full report thereof to the Committee on House Administration of the House of Representatives (if the committee using such currency is a committee of the House of Representatives) or to the Committee on Appropriations of the Senate (if the committee using such currency is a committee of the Senate or a joint committee of the Congress),

showing the total amount of such currency so used in each country and the purposes for which it was expended.

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SEC. 507. AVAILABILITY OF FUNDS.—Except as otherwise provided [in section 104 (pertaining to infrastructure), 405 (pertaining to movement of migrants), 408 (a) (pertaining to North Atlantic Treaty Organization), and 412 (pertaining to Chinese and Korean students)] *in this Act*, funds shall be available to carry out the provisions of this Act (other than sections 414 and 416) as authorized and appropriated to the President each fiscal year.

* * * * * * *

SEC. 509. SHIPPING ON UNITED STATES VESSELS.—Such steps as may be necessary shall be taken to assure, as far as practicable, that at least 50 per centum of the gross tonnage of commodities, materials and equipment procured out of funds made available under sections 103, 123, 131, 132 (a), 201, 304, and 403 of this Act and transported to or from the United States on ocean vessels, computed separately for dry bulk carriers, dry cargo liner and tanker services and computed separately for section 103, and for sections 123, 131, 132 (a), 201, 304, and 403 (taken together) is so transported on United States flag commercial vessels to the extent such vessels are available at market rates for United States flag commercial vessels provided such rates are fair and reasonable; and, in the administration of this provision, steps shall be taken, insofar as practicable and consistent with the purposes of this Act, to secure a fair and reasonable participation by United States flag commercial vessels in cargoes by geographic area. The ocean transportation between foreign countries of commodities, materials, and equipment procured out of local currency funds made available or derived from funds made available under this Act *or the Agricultural Trade Development and Assistance Act of 1954, as amended* (*7 USC 1691 et seq.*), shall not be governed by the provisions of section 901 (b) of the Merchant Marine Act of 1936, or any other law relating to the ocean transportation of commodities, materials, and equipment on United States flag vessels.

* * * * * * *

SEC. 513. NOTICE TO LEGISLATIVE COMMITTEES.—When any transfer is made under [section 105 (d) or] section 501, an any other action is taken under this Act which will result in furnishing assistance of a kind, for a purpose, or to an area, substantially different from that included in the presentation to the Congress during its consideratiton of this Act, or which will result in expenditures greater by 50 per centum or more than the proposed expenditures included in such presentation for the program concerned, the President or such officer as he may designated shall promptly notify the Committee on Foreign Relations of the Senate, the Committee on Foreign Affairs of the House of Representatives and, when military assistance is involved, the Committees on Armed Services of the Senate and House of Representatives, stating the justification for such change. Notice shall also be given to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives of any determination under the first sentence of section 401 (except with re-

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spect to unvouchered funds), and copies of any certificatiton as to loyalty under section 531 shall be filed with such committees.

* * * * * * *

CHAPTER 2. ORGANIZATION AND ADMINISTRATION

SEC. 521. DELEGATION OF AUTHORITY BY THE PRESIDENT.—(a) Except as provided in subsection (b), the President may exercise any power or authority conferred on him by this Act through such agency or officer of the United States as he shall direct, and the head of such agency or such officer may from time to time promulgate such rules and regulations as may be necessary and proper to carry out functions under this Act and may delegate authority to perform any of such functions to his subordinates acting under his direction.

(b) After June 30, 1955, the President shall exercise the powers conferred upon him under title III of this Act through the Secretary of State.

SEC. 522. ALLOCATION AND REIMBURSEMENT AMONG AGENCIES.—(a) The President may allocate or transfer to any United States Government agency any part of any funds available for carrying out the purposes of this Act, including any advance to the United States by any nation or international organization for the procurement of equipment or materials or services. Such funds shall be available for olbigation and expenditure for the purposes for which authorized, in accordance with authority granted in this Act or under authority governing the activities of the Government agencies to which such funds are alloctaed or transferred. Funds allocated to the Department of Defense shall be governed as to reimbursement by the procedures of subsection (c) of this section.

(b) Any officer of the United States performing functions under this Act may utilize the services and facilities of, or procure commodities from, any United States Government agency as the President shall direct, or with the consent of the head of such agency, and funds allocated pursuant to this subsection to any such agency may be established in separate appropriation accounts on the books of the Treasury. *The Administrator of General Services is authorized to maintain in a separate consolidated account, which shall be free from fiscal year limitations, payments received by the General Services Administration for administrative surcharges in connection with procurement services performed by the General Services Administration in furtherance of the purposes of this Act. Such payments shall be in amounts mutually acceptable to the General Services Administration and the United States Government agency which finances the procurement, and these amounts shall be available for administrative expenses incurred by the General Services Administration in performing such procurement services.*

(c) Reimbursement shall be made to any United States Government agency, from funds available to carry out chapter 1 of title I of this Act, for any assistance furnished under that chapter from, by, or through such agency. Such reimbursements shall be in amount equal to the value (as defined in section 545) of the equipment and materials, services (other than salaries of members of the Armed Forces

of the United States), or other assistance furnished, plus expenses arising from or incident to operations under that chapter. The amount of any such reimbursement shall be credited as reimbursable receipts to current applicable appropriations, funds, or accounts of such agency and shall be available for, and under the authority applicable to, the purposes for which such appropriations, funds, or accounts are authorized to be used, including the procurement of equipment and materials or services, required by such agency, in the same general category as those furnished by it or authorized to be procured by it and expenses arising from the incident to such procurement.

(d) In the case of any commodity, service, or facility procured from any United States Government agency under any provision of this Act other than chapter 1 of title I, reimbursement or payment shall be made to such agency from funds available to carry out such provision. Such reimbursement or payment shall be at replacement cost, or, if required by law, at actual cost, or at any other price authorized by law and agreed to by the owning or disposal agency. The amount of any such reimbursement or payment shall be credited to current applicable appropriations, funds, or accounts, from which there may be procured replacements of similar commodities, services, or facilities, except that where such appropriations, funds, or accounts are not reimbursable except by reason of this subsection, and when the owning agency determines that such replacement is not necessary, any funds received in payment therefor shall be covered into the Treasury as miscellaneous receipts.

(e) In furnishing assistance under this Act and in making surplus agricultural commodities available under section 402 accounts may be established on the books of any United States Government agency or, on terms and conditions approved by the Secretary of the Treasury, in baking institutions in the United States, against which (i) letters of commitment may be issued which shall constitute obligations of the United States, and moneys due or to become due under such letters of commitment shall be assignable under the Assignment of Claims Act of 1940, as amended, and (ii) withdrawals may be made by recipient nations or agencies, organizations or persons upon presentation of contracts, invoices, or other appropriate documentation. Expenditure of funds which have been made available through accounts so established shall be accounted for on standard documentation required for expenditure of Government funds: *Provided*, That such expenditures for commodities or services procured outside the continental limits of the United States may be accounted for exclusively on such certification as may be prescribed in regulations approved by the Comptroller General of the United States.

(*f*) *Any appropriation made to carry out the provisions of this Act may initially be charged, within the limits of available funds, to finance expenses for which funds are available in other appropriations made under this Act: Provided, That as of the end of the same fiscal year such expenses shall be finally charged to applicable appropriations with proper credit to the appropriations initially utilized for financing purposes.*

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SEC. 530. EXPERTS AND CONSULTANTS OR ORGANIZATIONS THEREOF.—Experts and consultants or organizations thereof, as authorized by

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section 15 of the Act of August 2, 1946 (5 U. S. C. 55a), may be employed by any United States Government agency for the performance of functions under this Act, and individuals so employed may be compensated at rates not in excess of $75 per diem, and while away from their homes or regular places of business, they may be paid actual travel expenses and per diem in lieu of subsistence and other expenses at a rate not to exceed $10 or at the applicable rate prescribed in the Standardized Government Travel Regulations, as amended from time to time, whichever is higher, while so employed within the continental limits of the United States and at the applicable rate prescribed in the Standardized Government Travel Regulations (Foreign Areas) while so employed outside the continental limits of the United States: *Provided, That contracts for such employment with such organizations may be renewed annually.*

(b) Persons of outstanding experience and ability may be employed without compensation by any United States Government agency for the performance of functions under this Act in accordance with the provisions of section 710 (b) of the Defense Production Act of 1950, as amended (50 U. S. C. App. 2160), and regulations issued thereunder.

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SEC. 535. COOPERATION WITH *Nations and* INTERNATIONAL ORGANIZATIONS.—

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(b) [Whenever the President determines it to be in furtherance of the purposes of this Act, United States Government agencies, on request of international organizations, are authorized to furnish supplies, materials, and services, on an advance of funds or reimbursement basis, to such organizations. Such advances or reimbursements may be credited to the current applicable appropriation or fund of the agency concerned and shall be available for the purposes for which such appropriations and funds are authorized to be used.] *Whenever the President determines it to be in furtherance of the purposes and within the limitations of this Act, United States Government agencies, on request of international organizations, are authorized to furnish supplies, materials, and services, and on request of nations, are authorized to furnish nonmilitary supplies, materials, and services, to such organizations and nations on an advance of funds or reimbursement basis. Such advances or reimbursements which are received under this subsection within 180 days after the close of the fiscal year in which such supplies, materials, and services are delivered, may be credited to the current applicable appropriation or fund of the agency concerned and shall be available for the purposes for which such appropriations and funds are authorized to be used.*

* * * * * * *

SEC. 537. Provisions on Uses of Funds.—(a) Appropriations for the purposes of this Act (except for chapter 1 of title I and section 12h), allocations to any United States Government agency, from any other appropriations, for functions directly related to the purposes of

this Act, and funds made available for other purposes to any agency administering non-military assistance, shall be available for—

(1) rents in the District of Columbia for the fiscal year 1957;

(2) expenses of attendance at meetings concerned with the purposes of such appropriations, including (notwithstanding the provisions of section 9 of the Act of March 4, 1909 (31 U. S. C. 673)), expenses in connection with meetings of persons whose employment is authorized by section 530 of this Act;

(3) employment of aliens, by contract, for services abroad;

(4) purchase, maintenance, operation and hire of aircraft; Provided, That aircraft for administrative purposes may be purchased only as specifically provided for in an appropriation or other act;

(5) purchase and hire of passenger motor vehicles: Provided, That, except as may otherwise be provided in an appropriation or other act, passenger motor vehicles abroad for administrative purposes may be purchased for replacement only and such vehicles may be exchanged or sold and replaced by an equal number of such vehicles and the cost, including exchange allowance, of each such replacement shall not exceed $3,300 in the case of an automobile for the chief of any special mission or staff abroad established under section 526 of this Act; Provided further, That passenger motor vehicles may be purchased for use in the continental United States only as may be specifically provided in an appropriation or other act;

(6) entertainment within the United States (not to exceed $15,000 in any fiscal year except as may otherwise be provided in an appropriation or other act);

(7) exchange of funds without regard to section 3651 of the Revised Statutes (31 U. S. C. 543), and loss by exchange;

(8) expenditures (not to exceed $50,000 in any fiscal year except as may otherwise be provided in an appropriation or other act) of a confidential character other than entertainment, provided that a certificate of the amount of each such expenditure, the nature of which it is considered inadvisable to specify, shall be made by an officer administering nonmilitary assistance, or such person as he may designate, and every such certificate shall be deemed a sufficient voucher for the amount therein specified;

(9) insurance of official motor vehicles in foreign countries;

(10) rental of quarters outside the continental limits of the United States to house employees of the United States Government (without regard to section 322 of the Act of June 30, 1932, as amended (40 U. S. C. 278a)), lease, necessary repairs and alterations to quarters;

(11) actual expenses of preparing and transporting to their former homes in the United States or elsewhere, and of care and disposition of, the remains of persons or members of the families of persons who may die while such persons are away from their homes participating in activities carried out with funds covered by this subsection (a);

(12) purchase of uniforms;

(13) payment of per diem in lieu of subsistence to foreign participants engaged in any program of furnishing technical infor-

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mation and assistance, while such participants are away from their homes in countries other than the continental United States, at rates not in excess of those prescribed by the Standardized Government Travel Regulations, notwithstanding any other provisions of law;

(14) expenses authorized by the Foreign Service Act of 1946, as amended (22 U. S. C. 801 et seq.), not otherwise provided for;

(15) ice and drinking water for use abroad;

(16) services of commissioned officers of the Public Health Service and of the Coast and Geodetic Survey, and for the purposes of providing such services the Public Health Service may appoint not to exceed twenty officers in the Regular Corps to grades above that of senior assistant, but not above that of director, as otherwise authorized in accordance with section 711 of the Act of July 1, 1944, as amended (42 U. S. C. 211a), and the Coast and Geodetic Survey may appoint for such purposes not to exceed twenty commissioned officers in addition to those otherwise authorized;

(17) expenses in connection with travel of personnel outside the continental United States, including travel expenses of dependents (including expenses during necessary stop-overs while engaged in such travel) and transportation of personal effects, household goods, or automobiles of such personnel when any part of such travel or transportation begins in one fiscal year pursuant to travel orders issued in that fiscal year, notwithstanding the fact that such travel or transportation may not be completed during that same fiscal year, and cost of transporting to and from a place of storage, and the cost of storing, the furniture and household and personal effects of any employee (i) for not to exceed three months after first arrival at a new post, (ii) when an employee is assigned to a post to which he cannot take or at which he is unable to use his furniture and household and personal effects, or (iii) when such storage would avoid the cost of transporting such furniture and effects from one location to another, under such regulations as an officer administering nonmiliary assistance, or such person as he may designate, may prescribe.

(18) payment of unusual expenses incident to the operation and maintenance of official residences for chiefs of special missions or staffs serving in accordance with section 526 of this Act.

(b) United States Government agencies are authorized to pay the costs of health and accident insurance for foreign participants in any exchange of persons programs or any program of furnishing technical information and assistance administered by any such agency while such participants are enroute or absent from their homes for purposes of participation in any such program.

(c) Not to exceed $12,000,000 of the funds available in the fiscal year 1957 for assistance in Korea under this Act may be used by the President to construct or otherwise acquire living quarters, office space, and supporting facilities in Korea for use by personnel carrying out activities under this Act.

CHAPTER 3. REPEAL AND MISCELLANEOUS PROVISIONS

* * * * * * *

SEC. 544. AMENDMENTS TO OTHER LAWS.—(a) Title X of the United States Information and Educational Exchange Act of 1948, as amended (22 U. S. C. 1431), is amended by adding the following new section:

"INFORMATIONAL MEDIA GUARANTIES

"SEC. 1011. The Director of the United States Information Agency may make guaranties, in accordance with the provisions of subsection (b) of section 413 of the Mutual Security Act of 1954, of investments in enterprises producing or distributing informational media consistent with the national interests of the United States against funds heretofore made available by notes issued to the Secretary of the Treasury pursuant to section 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, for purposes of guaranties of investments: *Provided, however,* That the amount of such guaranties in any fiscal year shall be determined by the President but shall not exceed $10,000,000."

(b) Section 1 of Public Law 283, Eighty-first Congress is repealed. The Institute of Inter-American Affairs, created pursuant to Public Law 369, Eightieth Congress (22 U. S. C. 281), shall have succession until June 30, 1960, and may make contracts for periods not to exceed five years: *Provided*, That any contract extending beyond June 30, 1960, shall be made subject to termination by the said Institute upon notice: *And provided further*, That the said Institute shall, on and after July 1, 1954, be subject to the applicable provisions of the Budget and Accounting Act, 1921, as amended (31 U. S. C. 1), in lieu of the provisions of the Government Corporation Control Act, as amended (31 U. S. C. 841).

(c) In section 4 of the Act of May 26, 1949 (63 Stat. 111, 5 U. S. C. 151c) insert after the words "such functions" the following: ", including if he shall so specify the authority successively to redelegate any of such functions,".

(d) In the first sentence of section 32 (b) (2) of the Surplus Property Act of 1944, as amended (50 U. S. C. App. 1641 (b) (2)), after "any agency thereof", insert "including amounts received in repayment of principal or interest on any loan made under section 505 (b) of the Mutual Security Act of 1954, as amended".

(e) Section 933 of the Foreign Service Act of 1946, as amended (22 U. S. C. 1148), is hereby amended by inserting after "continental United States" where it appears in both subsection (a) and subsection (b) of that section ", its Territories and possessions,".

(f) Section 1441 (c) of the Internal Revenue Code of 1954 is hereby amended by inserting after paragraph (5) the following new paragraph:

"(6) Per diem of certain aliens.—No deduction or withholding under subsection (a) shall be required in the case of amounts of per diem for subsistence paid by the United States Government (directly or by contract) to any nonresident alien individual who is engaged in any program of training in the United States under the Mutual Security Act of 1954, as amended."

(g) Section 1011 of the United States Information and Educational Exchange Act of 1948, as amended (22 U. S. C. 1442) is amended by

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inserting "(a)" before "The Director", by deleting everything after the words "national interests of the United States", by inserting a period at that point, and by inserting the following new subsections:

"(b) The Director is authorized to assume the obligation of not to exceed $28,000,000 of the notes authorized to be issued pursuant to subsection 111 (c) (2) of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1509 (c) (2)), (together with the interest accrued and unpaid thereon) and to obtain advances from time to time from the Secretary of the Treasury up to such amount, less amounts previously advanced on such notes, as provided for in said notes. Such advances shall be deposited in a special account in the Treasury available for payments under informational media guaranties.

"(c) The Director is authorized to make informational media guaranties without regard to the limitations of time contained in subsection 413 (b) (4) of the Mutual Security Act of 1954, as amended (22 U.S.C. 1933 (b) (4)), but the total of such guaranties outstanding at any one time shall not exceed the sum of the face amount of the notes assumed by the Director less the amounts previously advanced on such notes by the Secretary of the Treasury plus the amount of the funds in the special account referred to in subsection (b).

"(d) Foreign currencies available after June 30, 1955, from conversions made pursuant to the obligation of informational media guaranties may be sold, in accordance with Treasury Department regulations, for dollars which shall be deposited in the special account and shall be available for payments under new guaranties. Such currencies shall be available, as may be provided for by the Congress in appropriation Acts, for use for educational, scientific, and cultural purposes which are in the national interest of the United States, and for such other purposes of mutual interest as may be agreed to by the governments of the United States and the country from which the currencies derive.

"(e) Notwithstanding the provisions of subparagraph 413 (b) (4) (E) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b) (4) (E), (1) fees collected for the issuance of informational media guaranties shall be deposited in the special account and shall be available for payments under informational media guaranties; and (2) the Director may require the payment of a minimum charge of up to fifty dollars for issuance of guaranty contracts, or amendments thereto.

"(f) The Director is further authorized, under such terms as he may prescribe, to make advance payments under informational media guaranties: Provided, That currencies receivable from holders of such guaranties on account of such advance payments shall be paid to the United States within nine months from the date of the advance payment and that appropriate security to assure such payments is required before any advance payment is made.

"(g) As soon as feasible after the enactment of this section, all assets, liabilities, income, expenses, and charges of whatetver kind pertaining to informational media guaranties, including any charges against the authority to issue notes provided in section 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, cumulative from the enactment of that Act, shall be accounted for separately from other guaranties issued pursuant to subsection 413 (b) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b)): Provided, That

there shall be transferred from the special account established pursuant to subsection (a) into the account available for payments under guaranties other than informational media guaranties, an amount equal to the total of the fees received for the issuance of guaranties other than informational media guaranties, and use to make payments under informational media guaranties."

(h) Section 104 (h) of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480, Eighty-third Congress; 7 U. S. C. 1704), is amended by adding at the end thereof the following: "Not less than 5 per centum of the aggregate of the foreign currencies accruing under this title, including currencies received in repayments of loans under subsection (g) of this section (which 5 per centum shall not be computed separately for each purchasing country but for all such countries combined), shall be used for the purposes of this subsection. In the allocation of funds as among the various purposes set forth in this section, a special effort shall be made to provide for the purposes of this subsection in regard to: (1) countries where adequate funds are not available from other sources for such purposes, and (2) countries where agreements can be negotiated to establish a fund with the interest and principal available over a period of years for such purposes.".

(i) Section 104 of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, Eighty-third Congress; 7 U. S. C. 1704) as amended, is further amended by adding after paragraph (h) the following new paragraph:

> *(i) for financing the translation, publication, and distribution of books and periodicals, including Government publications, abroad: Provided, That not more than $5,000,000 may be allocated for this purpose during any fiscal year."*

SEC. 545. DEFINITIONS.—For the purposes of this Act—

(a) The term "commodity" includes any commodity, material, article, supply, or goods.

(b) The term "surplus agricultural commodity" means any agricultural commodity or product thereof, class, kind, type, or other specification thereof, produced in the United States either publicly or privately owned, which is in excess of domestic requirement, adequate carryover, and anticipated exports for dollars, as determined by the Secretary of Agriculture.

(c) The terms "equipment" and "materials" shall mean any arms, ammunition, or implements of war, or any other type of material, article, raw material, facility, tool, machine, supply item that would further the purpose of chapter 1 of title I, or any component or part thereof, used or required for use in connection therewith, or required in or for the manufacture, production, processing, storage, transportation, repair, or rehabilitation of any equipment or materials, but shall not include merchant vessels.

(d) The term "mobilization reserve," as used with respect to any equipment or materials, means the quantity of such equipment or materials determined by the Secretary of Defense under regulations prescribed by the President to be required to support mobilization of the Armed Forces of the United States in the event of war or national emergency until such time as adequate additional quantities of such equipment or materials can be procured.

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(e) The term "excess," as used with respect to any equipment or materials, means the quantity of such equipment or materials owned by the United States which is in excess of the mobilization reserve of such equipment or materials.

(f) The term "services" shall include any service, repair, training of personnel, or technical or other assistance or information necessary to effectuate the purposes of this Act.

(g) The term "Armed Forces of the United States" shall include any component of the Army of the United States, of the United States Navy, of the United States Marine Corps, of the Air Force of the United States, of the United States Coast Guard, and the Reserve components thereof.

(h) The term "value" means—

(1) with respect to any excess equipment or materials furnished under chapter 1 of title I the gross cost of repairing, rehabilitating, or modifying such equipment or materials prior to being so furnished;

(2) with respect to any nonexcess equipment or materials furnished under chapter 1 of title I which are taken from the mobilization reserve other than equipment or materials referred to in paragraph (3) of this subsection), the actual or the projected (computed as accurately as practicable) cost of procuring for the mobilization reserve an equal quantity of such equipment or materials or an equivalent quantity of equipment or materials of the same general type but deemed to be more desirable for inclusion in the mobilization reserve than the equipment or materials furnished;

(3) with respect to any nonexcess equipment or materials furnished under chapter 1 of title I which are taken from the mobilization reserve but with respect to which the Secretary of Defense has certified that it is not necessary fully to replace such equipment or materials in the mobilization reserve, the gross cost to the United States of such equipment and materials or its replacement cost, whichever the Secretary of Defense may specify; and

(4) with respect to any equipment or materials furnished under chapter 1 of title I which are procured for the purpose of being so furnished, the gross cost to the United States of such equipment and materials.

In determining the gross cost incurred by any agency in repairing, rehabilitating, or modifying any excess equipment furnished under chapter 1 of title I, all parts, accessories, or other materials used in the course of repair, rehabilitation, or modification shall be priced in accordance with the current standard pricing policies of such agency. For the purpose of this subsection, the gross cost of any equipment or materials taken from the mobilization reserve means either the actual gross cost to the United States of that particular equipment or materials or the estimated gross cost to the United States of that particular equipment or materials obtained by multiplying the number of units of such particular equipment or materials by the average gross cost of each unit of that equipment and materials owned by the furnishing agency. *Notwithstanding the foregoing provisions of this subsection*

(h) and for the purpose of establishing a more equitable pricing system for transactions between the military departments and the Mutual Defense Assistance Program, the Secretary of Defense shall prescribe at the earliest practicable date, through appropriate pricing regulations of uniform applicability, that the term "value" (except in the case of excess equipment or materials) shall mean—

(1) the price of equipment or materials obtaining for similar transactions between the Armed Forces of the United States; or

(2) where there are no similar transactions within the meaning of paragraph (1), the gross cost to the United States adjusted as appropriate for condition and market value.

(i) The term "United States Government agency" means any department, agency, board, wholly or partly owned corporation, or instrumentality, commission, or establishment of the United States Government.

(j) The term "agency administering nonmilitary assistance" shall refer to any agency to which authorities and functions under chapter 3 of title I, title II, title III, or title IV of this Act are delegated or assigned pursuant to authority contained in sections 521 and 525 of this Act.

(k) The term "officer administering nonmilitary assistance" shall refer to any officer to whom authorities and functions under chapter 3 of title I, title II, title III, or title IV of this Act are delegated or assigned pursuant to authority contained in sections 521 and 525 of this Act.

* * * * * * *

SEC. 548. UNEXPENDED BALANCES.—Unexpended balances of funds heretofore made available under authority of this Act are hereby authorized to be continued available for the general purposes for which appropriated, and may be consolidated with appropriations made available beginning in fiscal year [1956] *1957* for the same general purposes under the authority of this Act. *Provided, however,* That *except for funds appropriated pursuant to section 407, relating to Palestine Refugees, and section 418, relating to the President's Fund for Asian Economic Development,* unexpended balances in excess of $200,000,000 not obligated by June 30 [1955] *1956*, in accordance with the provisions of section 1311 of the Supplemental Appropriation Act, 1955 (Public Law 663, Eighty-third Congress), or reserved in accordance with the provisions of section 110 of the Mutual Security Appropriation Act, 1955 (Public Law 778, Eighty-third Congress), are not authorized to be continued available after such date.

[SEC. 549. (a) STATEMENT OF CONGRESSIONAL POLICY.—It is the sense of the Congress that inasmuch as—

(1) the United States, through mutual security programs, has made substantial contributions to the economic recovery and rehabilitation of the nations of western Europe;

(2) due in part to those programs, it has been possible for such nations to achieve complete economic recovery and to regain their military strength; and

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(3) certain other friendly nations of the world remain in need of assistance in order that they may defend themselves against aggression and contribute to the security of the free world.

those nations that have been assisted in their recovery should, in the future, share with the United States to a greater extent the financial burden of providing aid to those countries which are still in need of assistance of the type provided under this Act.

(b) It is the sense of the Congress that assistance under this Act shall be administered so as to assist other peoples in their efforts to achieve self-government or independence under circumstances which will enable them to assume an equal station among the free nations of the world and to fulfill their responsibilities for self-government or independence.]

SEC. *549. It is the sense of the Congress that the President should explore with other nations the establishment of an International Food and Raw Materials Reserve under the auspices of the United Nations and related international organizations for the purpose of acquiring and storing in appropriate countries raw or processed farm products and other raw materials, exclusive of minerals, with a view to their use in—*

(1) preventing extreme price fluctuations in the international market in these commodities;

(2) preventing famine and starvation;

(3) helping absorb temporary market surpluses of farm products and other raw materials (exclusive of minerals);

(4) economic and social development programs formulated in cooperation with other appropriate international agencies.

Participation by the United States in such an International Food and Raw Materials Reserve shall be contingent upon statutory authorization or treaty approval, as may be appropriate. The President shall include in each of the semiannual reports required by section 534 an account of action taken under this section.

OTHER ACTS AMENDED BY THE MUTUAL SECURITY ACT OF 1956

PUBLIC LAW 174—79TH CONGRESS, AS AMENDED

JOINT RESOLUTION Providing for membership of the United States in the Food and Agriculture Organization of the United Nations

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President is hereby authorized to accept membership for the United States in the Food and Agriculture Organization of the United Nations (hereinafter referred to as the "Organization") the Constitution of which is set forth in appendix I of the First Report to the Governments of the United Nations by the Interim Commission on Food and Agriculture, dated August 1, 1944.

SEC. 2. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, a sum not exceeding $625,000 during the first fiscal year of the Organization and sums not exceeding [$2,000,000] *$3,000,000* annually thereafter as may be

required for expenditure under the direction of the Secretary of State for the payment by the United States of its proportionate share in the expenses of the Organization : *Provided, That the percentage contribution of the United States to the total annual budget of the Organization shall not exceed 31.5 per centum.*

SEC. 3. In adopting this joint resolution, it is the sense of the Congress that the Government of the United States should use its best efforts to bring about, as soon as practicable, the integration of the functions and the resources of the International Institute of Agriculture, with those of the Organization, in a legal and orderly manner, to effect one united institution in such form as to provide an adequate research, informational, and statistical service for the industry of agriculture.

SEC. 4. Unless Congress by law authorizes such action, neither the President nor any person or agency shall on behalf of the United States accept any amendment under paragraph 1 of article XX of the Constitution of the Organization involving any new obligation for the United States.

SEC. 5. In adopting this joint resolution the Congress does so with the understanding that paragraph 2 of article XIII does not authorize the Conference of the Organization to so modify the provisions of its Constitution as to involve any new obligation for the United States.

SECTION 4 OF THE ACT OF MAY 26, 1949 (5 U. S. C. 151c)

SEC. 4. The Secretary of State may promulgate such rules and regulations as may be necessary to carry out the functions now or hereafter vested in the Secretary of State or the Department of State, and he may delegate authority to perform any of such [functions to] *functions, including if he shall so specify the authority successively to redelegate any of such functions, to* officers and employees under his direction and supervision.

SECTION 32 (b) (2) OF THE SURPLUS PROPERTY ACT OF 1944, AS AMENDED (50 U. S. C. APP. 1641)

(2) In carrying out the provisions of this section, the Secretary of State is hereby authorized to enter into an exectutive agreement or agreements with any foreign government for the use of currencies, or credits for currencies, of such government held or available for expenditure by the United States or any agency [thereof (or] *thereof including amounts received in repayment of principal or interest on any loan made under section 505 (b) of the Mutual Security Act of 1954, as amended* (*or* deposited pursuant to agreements entered into pursuant to section 115 (b) (6) and 115 (h) of the Economic Cooperation Act of 1948, as amended), and not required by law or agreement with such government to be expended or used for any other purpose, for the purpose of providing, by the formation of foundations or otherwise, for (A) financing studies, research, instruction, and other educational activities of or for American citizens in schools and institutions of higher learning located in such foreign country, or of the citizens of such foreign country in American schools and institu-

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tions of higher learning located outside the continental United States, Hawaii, Alaska (including the Aleutian Islands), Puerto Rico, and the Virgin Islands, including payment for transportation, tuition, maintenance, and other expenses incident to scholastic activities; or (B) furnishing transportation for citizens of such foreign country who desire to attend American schools and institutions of higher learning in the continental United States, Hawaii, Alaska (including the Aleutian Islands), Puerto Rico, and the Virgin Islands, and whose attendance will not deprive citizens of the United States of an opportunity to attend such schools and institutions: *Provided, however,* That no such agreement or agreements shall provide for the use of an aggregate amount of the currencies, or credits for currencies, of any one country in excess of $20,000,000 or for the expenditure of the currencies, or credits for currencies, of any one foreign country in excess of $1,000,000 annually at the official rate of exchange for such currencies, unless otherwise authorized by Congress, nor shall any such agreement relate to any subject other than the use and expenditure of such currencies or credits for currencies for the purposes herein set forth: *Provided further,* That for the purpose of selecting students and educational institutions qualified to participate in this program, and to supervise the exchange program authorized herein, the President of the United States is hereby authorized to appoint a Board of Foreign Scholarships, consisting of ten members, who shall serve without compensation, composed of representatives of cultural, educational, student and war veterans groups, and including representatives of the United States Office of Education, the United States Veterans' Administration, State educational institutions, and privately endowed educational institutions: *And provided further,* That in the selection of American citizens for study in foreign countries under this paragraph preference shall be given to applicants who shall have served in the military or naval forces of the United States during World War I or World War II, and due consideration shall be given to applicants from all geographical areas of the United States. The Secretary of State shall transmit to the Congress not later than the 1st day of March of each year a report of operations under this paragraph during the preceding calendar year. Such report shall include the text of any agreements which have been entered into hereunder during the preceding calendar year, and shall specify the names and addresses of American citizens who are attending schools or institutions of higher learning in foreign countries pursuant to such agreements, the names and locations of such schools and institutions, and the amounts of the currencies or credits for currencies expended for any of the purposes under this paragraph in each such foreign country during the preceding calendar year.

SECTION 933 OF THE FOREIGN SERVICE ACT OF 1946 (22 U. S. C. 1148)

ORDERING RETURN OF PERSONNEL TO UNITED STATES ON LEAVES OF ABSENCE

SEC. 933. (a) The Secretary shall order to the continental United [States on] *States, its Territories and possessions, on* statutory leave of absence every officer and employee of the Service who is a citizen of the United States upon completion of two years' continuous service abroad or as soon as possible thereafter.

(b) While in the continental United [States on] *States, its Territories and possessions, on* leave, the service of any officer or employee shall be available for such work or duties in the Department or elsewhere as the Secretary may prescribe, but the time of such work or duties shall not be counted as leave.

SECTION 1441 (c) OF THE INTERNAL REVENUE CODE OF 1954

SEC. 1441. WITHHOLDING OF TAX ON NONRESIDENT ALIENS.

(a) * * *

* * * * * * *

(c) EXCEPTIONS.—

(1) DIVIDENDS OF FOREIGN CORPORATIONS.—No deduction or withholding under subsection (a) shall be required in the case of dividends paid by a foreign corporation unless (A) such corporation is engaged in trade or business within the United States, and (B) more than 85 percent of the gross income of such corporation for the 3-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence) was derived from sources within the United States as determined under part I of subchapter N of chapter 1.

(2) OWNER UNKNOWN.—The Secretary or his delegate may authorize the tax under subsection (a) to be deducted and withheld from the interest upon any securities the owners of which are not known to the withholding agent.

(3) BONDS WITH EXTENDED MATURITY DATES.—The deduction and withholding in the case of interest on bonds, mortgages, or deeds of trust or other similar obligations of a corporation, within subsections (a) (b), and (c) of section 1451 were it not for the fact that the maturity date of such obligations has been extended on or after January 1, 1934, and the liability assumed by the debtor exceeds 27½ percent of the interest, shall not exceed the rate of 27½ percent per annum.

(4) COMPENSATION OF CERTAIN ALIENS.—Under regulations prescribed by the Secretary or his delegate, there may be exempted from deduction and withholding under subsection (a) the compensation for personal services of nonresident alient individuals who enter and leave the United States at frequent intervals.

(5) SPECIAL ITEMS.—In the case of amounts described in section 402 (a) (2), section 631 (b) and (c), and section 1235, which are considered to be gains from the sale or exchange of capital assets, the amount required to be deducted and withheld shall, if the amount of such gain is not known to the withholding agent, be such amount, not exceeding 30 percent of the proceeds from such sale or exchange, as may be necessary to assure that the tax deducted and withheld shall not be less than 30 percent of such gain.

(6) PER DIEM OF CERTAIN ALIENS.—No deduction or withholding under subsection (a) shall be required in the case of amounts of per diem for subsistence paid by the United States Government

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(directly or by contract) to any nonresident alien individual who is engaged in any program of training in the United States under the Mutual Security Act of 1954, as amended.

SECTION 1011 OF THE UNITED STATES INFORMATION AND EDUCATIONAL EXCHANGE ACT OF 1948, AS AMENDED (22 U. S. C. 1442)

INFORMATIONAL MEDIA GUARANTIES

SEC. 1011. (*a*) The Director of the United States Information Agency may make guaranties, in accordance with the provisions of subsection (b) of section 413 of the Mutual Security Act of 1954, of investments in enterprises producing or distributing informational media consistent with the national interests of the United States [against funds heretofore made available by notes issued to the Secretary of the Treasury pursuant to section 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, for purposes of guaranties of investments: *Provided, however*, That the amount of such guaranties in any fiscal year shall be determined by the President but shall not exceed $10,000,000].

(b) The Director is authorized to assume the obligation of not to exceed $28,000,000 of the notes authorized to be issued pursuant to subsection 111 (c) (2) of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1509 (c) (2)), together with the interest accrued and unpaid thereon, and to obtain advances from time to time from the Secretary of the Treasury up to such amount, less amounts previously advanced on such notes, as provided for in said notes. Such advances shall be deposited in a special account in the Treasury available for payments under informational media guaranties.

(c) The Director is authorized to make informational media guaranties without regard to the limitations of time contained in subsection 413 (b) (4) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b) (4)), but the total of such guaranties outstanding at any one time shall not exceed the sum of the face amount of the notes assumed by the Director less the amounts previously advanced on such notes by the Secretary of the Treasury plus the amount of the funds in the special account referred to in subsection (b).

(d) Foreign currencies available after June 30, 1955, from conversions made pursuant to the obligation of informational media guaranties may be sold, in accordance with Treasury Department regulations, for dollars which shall be deposited in the special account and shall be available for payments under new guaranties. Such currencies shall be available, as may be provided for by the Congress in appropriation Acts, for use for educational, scientific, and cultural purposes which are in the national interest of the United States, and for such other purposes of mutual interest as may be agreed to by the governments of the United States and the country from which the currencies derive.

(e) Notwithstanding the provisions of subparagraph 413 (b) (4) (E) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b) (4) (E)), (1) fees collected for the issuance of informational media guaranties shall be deposited in the special account and shall be available for payments under informational media guaranties; and

(2) the Director may require the payment of a minimum charge of up to fifty dollars for issuance of guaranty contracts, or amendments thereto.

(f) The Director is further authorized, under such terms as he may prescribe, to make advance payments under informational media guaranties: Provided, That currencies receivable from holders of such guaranties on account of such advance payments shall be paid to the United States within nine months from the date of the advance payment and that appropriate security to assure such payments is required before any advance payment is made.

(g) As soon as feasible after the enactment of this section, all assets, liabilities, income, expenses, and charges of whatever kind pertaining to informational media guaranties, including any charges against the authority to issue notes provided in section 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, cumulative from the enactment of that Act, shall be accounted for separately from other guaranties issued pursuant to subsection 413 (b) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b)): Provided, That there shall be transferred from the special account established pursuant to subsection (a) into the account available for payments under guaranties other than informational media guaranties, an amount equal to the total of the fees received for the issuance of guaranties other than informational media guaranties, and used to make payments under informational media guaranties.

AGRICULTURAL TRADE DEVELOPMENT ASSISTANCE ACT OF 1954
(7 U. S. C. 1691 ET SEQ.)

TITLE I—SALES FOR FOREIGN CURRENCY

SEC. 104. Notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, the President may use or enter into agreements with friendly nations or organizations of nations to use the foreign currencies which accrue under this title for one or more of the following purposes:

(a) To help develop new markets for United States agricultural commodities on a mutually benefiting basis;

(b) To purchase or contract to purchase strategic and critical materials, within the applicable terms of the Strategic and Critical Materials Stockpile Act, for a supplemental United States stockpile of such materials as the President may determine from time to time under contracts, including advance payment contracts, for supply extending over periods up to ten years. All strategic and critical materials acquired under authority of this title shall be placed in the above named supplemental stockpile and may be additional to the amounts acquired under authority of the Strategic and Critical Materials Stockpile Act. Materials so acquired shall be released from the supplemental stockpile only under the provisions of section 3 of the Strategic and Critical Materials Stockpile Act;

(c) To procure military equipment, materials, facilities, and services for the common defense;

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(d) For financing the purchase of goods or services for other friendly countries;

(e) For promoting balanced economic development and trade among nations;

(f) To pay United States obligations abroad;

(g) For loans to promote multilateral trade and economic development, made through established banking facilities of the friendly nation from which the foreign currency was obtained or in any other manner which the President may deem to be appropriate. Strategic materials, services, or foreign currencies may be accepted in payment of such loans;

(h) For the financing of international educational exchange activities under the programs authorized by section 32 (b) (2) of the Surplus Property Act of 1944, as amended (50 U. S. C. App. 1641 (b)). *Not less than 5 per centum of the aggregate of the foreign currencies accruing under this title, including currencies received in repayments of loans under subsection (g) of this section (which 5 per centum shall not be computed separately for each purchasing country but for all such countries combined), shall be used for the purposes of this subsection. In the allocation of funds as among the various purposes set forth in this section, a special effort shall be made to provide for the purposes of this subsection in regard to: (1) countries where adequate funds are not available from other sources for such purposes, and (2) countries where agreements can be negotiated to establish a fund with the interest and principal available over a period of years for such purposes.*

(*i*) *For financing the translation, publication, and distribution of books and periodicals, including Government publications, abroad: Provided, That not more than $5,000,000 may be allocated for this purpose during any fiscal year.*

Provided, however, That section 1415 of the Supplemental Appropriation Act, 1953, shall apply to all foreign currencies used for grants under subsections (d) and (e) and for payment of United States obligations involving grants under subsection (f) and to not less than 10 per centum of the foreign currencies which accrue under this title: *Provided, however*, That the President is authorized to waive such applicability of section 1415 in any case where he determines that it would be inappropriate or inconsistent with the purposes of this title.

○

Calendar No. 2297

84TH CONGRESS, 2d Session } SENATE { REPORT No. 2274

RELINQUISHMENT OF CONSULAR JURISDICTION IN MOROCCO

JUNE 19, 1956.—Ordered to be printed

Mr. GEORGE, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany S. J. Res. 165]

The Committee on Foreign Relations, having had under consideration Senate Joint Resolution 165, approving the relinquishment by the President, at such time as he considers appropriate, of the consular jurisdiction of the United States in Morocco, and repealing sections 1693, 4083 to 4091, inclusive, 4097 to 4122, inclusive, and 4125 to 4130, inclusive, of the Revised Statutes as amended (22 U. S. C. 141 ff.) reports the resolution to the Senate and recommends that it do pass.

PURPOSE OF THE RESOLUTION

It is the purpose of this resolution to provide congressional approval for action by the executive branch in renouncing certain rights of extraterritoria[1] jurisdiction enjoyed by the United States over its nationals and certain so-called protégés in Morocco. The approval relates only to American consular jurisdiction, and no to any other rights which the United States presently enjoys in Morocco by treaty.

BACKGROUND

Under a treaty with Morocco concluded on September 16, 1836, and by virtue of the Act of Algeciras of April 7, 1906, American consular officials in Morocco were given the right to exercise jurisdiction over American nationals in that country in certain criminal and civil cases. Similar jurisdiction has been exercised over those subjects of Morocco who have been designated as "protégés" in accordance with the Convention of Madrid of 1880.

Today, as a practical matter, this American jurisdiction extends in the French Zone only to cases in which both the accused and the

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victim in criminal cases, and the plaintiff and defendant in civil cases, are American citizens. Formerly American consuls exercised jurisdiction in criminal cases even where the victim was of another nationality, as well as in civil cases where only the defendant was an American citizen, pursuant to the most-favored-nation privileges provided for under the 1836 treaty. However, this broader jurisdiction was ruled by the International Court of Justice in 1952 to be improper after all other countries had relinquished it. As a consequence we now retain jurisdiction in the French Zone of Morocco only over cases between American citizens, over probate matters, and over certain special customs and contraband cases which might arise under the Act of Algeciras. Any cases arising in the Spanish Zone of Morocco, in which the United States has never had a consular court, would, if they involved American defendants, normally be heard in the consular court at Tangier. In practice, jurisdiction in Tangier is still exercised in all cases in which the defendant is an American.

On January 24, 1956, the Secretary of State addressed a letter to the chairman of the Committee on Foreign Relations, calling attention to the rapid progress which the Moroccan people were making toward independence, and to the hope that had been expressed by their leaders that the United States would cease exercising in their country the rights of extraterritoriality which had been granted to the United States by treaty more than 100 years ago. The letter stated in part:

> Extraterritorial jurisdiction has for a long time been a symbol of colonialism. For centuries, it was the traditional privilege of Western Powers in Africa and Asian countries. Now it hardly exists anywhere. The United States has ceased to exercise such jurisdiction wherever it possessed it, except in Morocco. * * * Its relinquishment appears to me the only course in keeping with the high traditions of United States policy and with our sympathies for the aspirations of peoples moving along the road toward self-government. To retain this vestige of colonialism in the new Morocco would be contrary to the desires of the Moroccan people. I would propose, therefore, to make a public announcement in the near future that it is the firm policy of the United States to cease exercising extraterritorial jurisdiction in Morocco as soon as the time is appropriate.

An announcement of the kind described was made by the Department of State on January 26, 1956 (press release No. 46), and shortly thereafter, a request was transmitted to Congress from the Department for appropriate legislative action approving the proposed relinquishment of extraterritorial jurisdiction.

The independence of Morocco was formally recognized by France on March 2, 1956, and the two Governments, as sovereign and equal nations, are now pursuing negotiations bearing upon their future relationship. On May 19, a Franco-Moroccan agreement was reached on Moroccan diplomatic sovereignty, which will open the way to eventual diplomatic representation of the United States in Rabat. Spain had already recognized the independence of Morocco, on April 7, 1956.

COMMITTEE ACTION

Senate Joint Resolution 165, which was introduced by Senator George pursuant to the request already noted, was referred to the Committee on Foreign Relations on April 25, 1956. A draft resolution had been considered by the committee in executive session on April 10, 1956, at which time Assistant Secretary of State George V. Allen and other administration spokesmen appeared and were heard. Because of the importance of the question of consular jurisdiction to various American groups in Morocco, who had already made known their opposition to the resolution in correspondence with the chairman, it was decided that a further opportunity should be given to them to present their viewpoints to the committee.

Accordingly, appropriate public announcement was made of the scheduling of an open hearing to be held on May 15, 1956, and telegrams were dispatched to those groups which had already manifested their interest in the resolution. In response thereto, Mr. Robert E. Rodes, representing the American Legion Morocco Post, No. 1, the American Businessmen's Club of Morocco, and an ad hoc committee of American residents in Morocco, appeared and gave testimony opposing the proposed relinquishment of extraterritoriality.

When on May 22, 1956, the committee met again to consider the resolution, several members expressed the desire to have additional testimony from the Department of State as to why it had chosen the procedure of a joint resolution to relinquish extraterritorial jurisdiction in preference to negotiating a treaty on the subject with the new nation. For this reason, the committee met once more in executive session on June 12, 1956, at which time Deputy Under Secretary of State Robert Murphy made a further presentation of the Department's views in the matter. When his testimony was concluded, the committee voted without objection to report Senate Joint Resolution 165 favorably to the Senate.

OBJECTIONS TO THE RESOLUTION

(a) *Loss of United States equality*

On behalf of the American groups in Morocco, two principal lines of objection were advanced before the committee to renunciation of American consular jurisdiction as contemplated by the pending resolution. The first objection was that relinquishment of extraterritoriality would be prejudicial to the best interests of the United States, and would place American citizens in a position inferior to the citizens of the other nations in Morocco. This contention is predicated in part upon the argument that the courts of French Morocco are staffed and presided over by French citizens, and that the change proposed in the resolution would allow French judges and French appeals courts to handle certain cases over which our consuls now have jurisdiction.

It does not follow, from the foregoing, that these courts are consular courts of France, or that, as a consequence, American nationals would receive a treatment inferior to that given to the citizens of other nations who appear before them. The nature of these courts was commented upon as follows by the International Court of Justice, in specifically rejecting a similar contention:

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> Reliance has also been placed upon the position of France and French nationals as regards the new tribunals of the protectorate which have been established for the purpose of exercising jurisdiction over foreigners and applying Moroccan laws to them in the French Zone. These tribunals have been constituted with French aid and under French direction and supervision. It is suggested that these are, in reality, consular courts and that the United States is entitled to be placed, in this regard, in a position of equality with France.
>
> But the tribunals of the protectorate in the French Zone are not in any sense consular courts. They are Moroccan courts, organized on French models and standards, affording guaranties of judicial equality to foreigners (Rights of Nationals of the United States of America in Morocco, *France* v. *U. S.*, judgment of August 27, 1952, pp. 192–193).

It should also be noted that these Moroccan courts, applying European law, already exercise jurisdiction over American citizens except where both parties are Americans. The proposed waiver of extraterritoriality thus has no effect on that group of cases which might be expected to give rise to the most difficulties in practice, those between American and other nationals.

Some of the concern which was expressed as to the danger of less favorable treatment for American citizens also stems from an apprehension that once complete Moroccan independence is achieved, the other nations which had formerly exercised extraterritorial privileges would be in a position to demand restoration of the status they had previously enjoyed; and that repeal of the enabling legislation contemplated by the resolution would handicap a claim by the United States for regaining similar and equal treatment.

The committee believes that this hypothesis is too conjectural to be persuasive. In the unlikely event that Morocco should restore the extraterritorial jurisdiction of other governments, there would be time then to consider whether measures should be adopted to ensure that American citizens are not left in a less favorable position than other nationals. It should be borne in mind that the United States remains entitled to most-favored-nation treatment in this respect under article 24 of the treaty of 1836. Moreover, it is to be expected that before our consular jurisdiction is renounced, the administration will obtain appropriate assurances from the Moroccan Government that American citizens will continue to benefit from at least the same standard of judicial and administrative treatment as is extended to them today.

To avoid any possibility of misunderstanding on the scope of the resolution, the committee emphasizes that its language is limited to those provisions of existing treaties which relate to consular jurisdiction. It does not purport to approve the modification of any other rights provided for in these treaties.

(*b*) *Renunciation of treaty rights*

A second basic objection raised before the committee on behalf of American groups in Morocco was that it is improper to attempt to terminate by a resolution of the Congress rights which the United States had acquired by treaty; and that the proposed measure would permit a simple majority of Congress to nullify provisions for which

a two-thirds vote of the Senate had been necessary in the exercise of the treatymaking power. According to this view, no modification of the status of extraterritoriality would be valid unless accomplished through the negotiation of another treaty, at which time reciprocal benefits could be sought in exchange for the rights surrendered.

The committee is of the opinion, after giving careful consideration to the arguments referred to above, that this contention cannot be accepted. To begin with, it disregards the settled principle of constitutional law that an act of Congress in conflict with the provisions of a prior treaty, supersedes it and has the effect of repealing it within the United States (*La Abra Silver Mining Co.* v. *U. S.*, 175 U. S. 423, 460, and *Taylor* v. *Morton*, 23 Fed. Cases No. 13, 709, in which Mr. Justice Curtis said: "* * * it is impossible to maintain that, under our Constitution, the President and Senate, exclusively, possess the power to modify or repeal a law found in a treaty."). Apart from this consideration, however, it is incorrect to assert that extraterritorial rights may only be relinquished by the treaty process, or that diplomatic precedents exclude any other procedure. Thus, in 1874, Congress authorized the President to direct the consuls of the United States in Egypt not to exercise their judicial functions in matters where the local courts appeared to be competent to administer justice to American citizens (18 Stat. 23).

The principle was specifically applied to extraterritorial jurisdiction in Morocco, in a note from the Department of State to the French Government dated July 1, 1916, stating:

> * * * the appropriate method under the American system of government of divesting the consuls of this authority is *either by repeal of the act* [of Congress vesting such authority in the consuls] *or by the conclusion of a treaty* (U. S. For. Rel., 1916, p. 804). [Italic supplied.]

In connection with certain proposals drawn up at the Conference of Montreux in 1937 relative to the termination of extraterritorial rights in Egypt, Secretary of State Hull declared that

> the capitulatory rights of the United States derived from treaties could be relinquished only by a formally ratified treaty *or* by an act of Congress (Hackworth, Digest of International Law, vol. VI, p. 342).

By contrast, renunciation of extraterritorial rights in China was effected in 1943 by a treaty which also dealt with protection of property rights and residence of American nationals (Ex. A, 78th Cong.).

ADVANTAGES IN THE RESOLUTION PROCEDURE

Although it is clear that the termination of extraterritoriality can be achieved either by the conclusion of a new treaty or by a joint resolution of Congress, there are cogent reasons for preferring the latter approach in the present situation. To insist on negotiating with Morocco concerning extraterritoriality for the purpose of obtaining something in exchange would place the United States in the position of bargaining over relinquishment of an institution which even now affords but limited protection to Americans and which Moroccans deem an affront to their sovereignty and independence. On the other

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hand, the treaty of 1836 by its terms may be denounced by either party upon 1 year's notice, a factor which substantially dilutes any supposed bargaining power in negotiations.

A concurrent resolution unanimously approved during the 84th Congress expressed the sense of Congress that—

> the United States should administer its foreign policies and programs and exercise its influence so as to support other peoples in their efforts to achieve self-government or independence under circumstances which will enable them to assume an equal station among the free nations of the world (1st sess., H. Con. Res. 149).

To relinquish American extraterritoriality in Morocco by a unilateral act would be consistent with the spirit of this resolution, and in keeping with American traditions.

Finally, even were the treaty process adopted, it would still be necessary for Congress to repeal the implementing legislation which vests jurisdiction in the consular courts over American citizens pursuant to the treaty; otherwise that legislation, although meaningless, would remain on the statute books. The joint resolution before us, however, accomplishes the dual purpose of approving the requisite diplomatic action by the executive, and simultaneously effecting a repeal of the legislation. It therefore appears to be the more desirable mode of proceeding.

TREATMENT OF AMERICAN FORCES IN MOROCCO

During the course of the hearings, concern was expressed by members of the committee that American forces stationed in Morocco might not continue to benefit from those guaranties of judicial fairness by which they are now protected. This led to the following exchange concerning the possible effect which relinquishing extraterritoriality might have on the status of our forces:

> Senator KNOWLAND. * * * what becomes of the jurisdiction of our American military personnel there in the absence of a status of forces treaty, in view of the transfer from French to Moroccan sovereignty? * * * when you get into some of these other countries first acquiring their independence, I think it becomes quite pertinent to us, wherever we have substantial numbers of Americans over there, as to the kind of justice they will receive when these men are charged with offenses committed away from their bases in nonmilitary activities. * * *
>
> Mr. YINGLING (Representing the Department of State). * * * While nobody can guarantee this, I think the reasonable assumption is that the same courts which have been trying members of our Armed Forces in Morocco will continue to do so for some considerable time to come.
>
> If at any time that situation should give indication of changing, we can * * * enter into negotiations with the Moroccans the same as we do every place else.
>
> Senator KNOWLAND. * * * as you know, the Senate, after some considerable discussion, finally ratified the status of forces agreements, but with some misgivings. There were

some points raised here * * * on additional safeguards that we hoped would be included in any future negotiations that might take place. * * *

And I would hope again that the Department will review the questions that were raised in this committee * * * and see to it that we will not necessarily follow some of the language in previous agreements that we had which left it a little nebulous, to say the least.

Senator MANSFIELD. I think Senator Knowland has a good point there. * * * If Morocco becomes independent with the system of Arab justice, I assume we might wish to regain control of our own people for all types of crimes. I would certainly expect the State Department to consider that factor. * * *

Although some time will elapse before Morocco will be able to exercise fully all the attributes of independence, nevertheless, the committee desires to emphasize the importance which it attaches to preserving the fundamental rights of our troops in the unlikely hypothesis that Morocco should introduce Moslem law in those courts now administering Western or French law. In any event, the relinquishment of consular jurisdiction will not weaken the protection of American troops involved in cases to which other nationals are a party; consular courts have no jurisdiction over such cases.

EFFECTIVE DATE OF RELINQUISHMENT

The committee desires to call attention to the fact that approval of Senate Joint Resolution 165 by Congress will not of itself effect an automatic renunciation of the extraterritorial rights of the United States in Morocco. In terms the resolution leaves the timing and manner of exercising the authority conferred in the discretion of the President, "at such time as he considers appropriate." Repeal of the existing implementing legislation is also made effective upon that date, "except so far as may be necessary to dispose of cases then pending in the consular courts in Morocco."

It is anticipated that the action provided for will probably take place in the near future now that negotiations between France and Morocco pertaining to Morocco's control of foreign relations have been completed and the independent status of the new government definitively determined. The timing of a decision to relinquish extraterritoriality will necessarily depend upon various factors then present, such as the evolution of Morocco's relations with other nations, and the new government's attitude toward its treaty relations with the United States.

What the resolution does is to place the United States in a position to move swiftly to protect its valuable interests in Morocco, and to relinquish its consular jurisdiction when it appears to the President that it is in the highest interests of the United States to do so.

CONCLUSIONS

The committee is in agreement with the general policy incorporated in Senate Joint Resolution 165. It believes that the attainment by Morocco of complete independence provides an opportunity for the

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United States to demonstrate its friendship and cordiality to the new nation.

At present the United States is the only country which exercises extraterritorial rights in Morocco, with the exception of the British in the Spanish Zone, and the United Kingdom is in the process of terminating its consular jurisdiction in that zone. Morocco is also the last area in the world in which the United States continues to exercise extraterritoriality.

It has long been the policy of our Government to support the aspirations of peoples who are striving for independence, as soon as they are in a position to assume the responsibilities of nationhood. To renounce the special privilege of consular jurisdiction which we have long enjoyed in Morocco now that the Moroccans are achieving self-government, not only is in conformity with this policy, but will afford a concrete example that the United States is prepared to give effect to it in practice whenever the facts so warrant. As stated by Secretary Dulles in his letter of January 24 to Senator George:

> Extraterritorial jurisdiction has ceased to have any substantial value either in terms of American interest or Moroccan political desires * * * To retain this vestige of colonialism in the new Morocco would * * * open the United States to being attacked on the grounds of imperialism by hostile propaganda.

To this it may be added that attempted retention of extraterritorial jurisdiction would probably alienate the real friendship we now have in Morocco.

For these reasons, the Committee on Foreign Relations strongly urges approval of Senate Joint Resolution 165 by the Senate.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

REVISED STATUTES OF THE UNITED STATES, AS AMENDED

* * * * * * *

[SEC. 1693. The salary of the interpreter at the consulate of Bangkok, in Siam, shall not exceed the sum of five hundred dollars a year; and no salary shall be allowed the marshal at that consulate.

* * * * * * *

[SEC. 4083. To carry into full effect the provisions of the treaties of the United States with China, Japan, Siam, Egypt, and Madagascar, respectively, the minister and the consuls of the United States, duly appointed to reside in each of those countries, shall, in addition to other powers and duties imposed upon them, respectively, by the provisions of such treaties, respectively, be invested with the judicial authority herein described, which shall appertain to the office of minister and consul, and be a part of the duties belonging thereto, wherein, and so far as, the same is allowed by treaty.

[SEC. 4084. The officers mentioned in the preceding section are fully empowered to arrange and try, in the manner herein provided, all citizens of the United States charged with offenses against law, committed in such countries, respectively, and to sentence such offenders in the manner herein authorized; and each of them is authorized to issue all such processes as are suitable and necessary to carry this authority into execution.

[SEC. 4085. Such officers are also invested with all the judicial authority necessary to execute the provisions of such treaties, respectively, in regard to civil rights, whether of property or person; and they shall entertain jurisdiction in matters of contract, at the port where, or nearest to which, the contract was made, or at the port at which, or nearest to which, it was to be executed, and in all other matters, at the port where, or nearest to which, the cause of controversy arose, or at the port where, or nearest to which, the damage complained of was sustained, provided such port be one of the ports at which the United States are represented by consuls. Such jurisdiction shall embrace all controversies between citizens of the United States, or others, provided for by such treaties, respectively.

[SEC. 4086. Jurisdiction in both criminal and civil matters shall, in all cases, be exercised and enforced in conformity with the laws of the United States, which are hereby, so far as is necessary to execute such treaties, respectively, and so far as they are suitable to carry the same into effect, extended over all citizens of the United States in those countries, and over all others to the extent that the terms of the treaties, respectively, justify or require. But in all cases where such laws are not adapted to the object, or are deficient in the provisions necessary to furnish suitable remedies, the common law and the law of equity and Admiralty shall be extended in like manner over such citizens and others in those countries; and if neither the common law, nor the law of equity or admiralty, nor the statutes of the United States, furnish appropriate and sufficient remedies, the ministers in those countries, respectively, shall, by decrees and regulations which shall have the force of law, supply such defects and deficiencies.

[SEC. 4087. Each of the consuls mentioned in section forty hundred and eighty-three, at the port for which he is appointed, is authorized upon facts within his own knowledge, or which he has good reason to believe true, or upon complaint made or information filed in writing and authenticated in such way as shall be prescribed by the minister, to issue his warrant for the arrest of any citizen of the United States charged with committing in the country an offense against law; and to arraign and try any such offender; and to sentence him to punishment in the manner herein prescribed.

[SEC. 4088. The consuls and commercial agents of the United States at islands or in countries not inhabited by any civilized people, or recognized by any treaty with the United States, are authorized to try, hear, and determine all cases in regard to civil rights, whether of person or property, where the real debt or damages do not exceed the sum of one thousand dollars, exclusive of costs, and upon full hearing of the allegations and evidence of both parties, to give judgment according to the laws of the United States, and according to the equity and right of the matter, in the same manner as justices of the peace are now authorized and empowered where the United States have exclusive jurisdiction. They are also invested with the powers

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conferred by the provisions of sections forty hundred and eighty-six and forty hundred and eighty-seven for trial of offenses or misdemeanors.

[SEC. 4089. Any consul when sitting alone may also decide all cases in which the fine imposed does not exceed five hundred dollars, or the term of imprisonment does not exceed ninety days; but in all such cases, if the fine exceeds one hundred dollars, or the term of imprisonment for misdemeanor exceeds sixty days, the defendants or any of them, if there be more than one, may take the case, by appeal, before the minister, if allowed jurisdiction, either upon errors of law or matters of fact, under such rules as may be prescribed by the minister for the prosecution of appeals in such cases.

[SEC. 4090. Capital cases for murder or insurrection against the government of either of the countries hereinbefore mentioned, by citizens of the United States, or for offenses against the public peace amounting to felony under the laws of the United States, may be tried before the minister of the United States in the country where the offense is committed if allowed jurisdiction; and every such minister may issue all manner of writs, to prevent the citizens of the United States from enlisting in the military or naval service of either of the said countries, to make war upon any foreign power with whom the United States are at peace, or in the service of one portion of the people against any other portion of the same people; and he may carry out this power by a resort to such force belonging to the United States, as may at the time be within his reach.

[SEC. 4091. Each of the ministers mentioned in section forty hundred and eighty-three shall, in the country to which he is appointed, be fully authorized to hear and decide all cases, criminal and civil, which may come before him, by appeal, under the provisions of this Title, and to issue all processes necessary to execute the power conferred upon him; and he is fully empowered to decide finally any case upon the evidence which comes up with it, or to hear the parties further, if he thinks justice will be promoted thereby; and he may also prescribe the rules upon which new trials may be granted, either by the consuls or by himself, if asked for upon sufficient grounds.

* * * * * * *

[SEC. 4097. In all cases, criminal and civil, the evidence shall be taken down in writing in open court, under such regulations as may be made for that purpose; and all objections to the competency or character of testimony shall be noted, with the ruling in all such cases, and the evidence shall be part of the case.

[SEC. 4098. It shall be the duty of the ministers and the consuls in the countries mentioned in section forty hundred and eighty-three, to encourage the settlement of controversies of a civil character, by mutual agreement, or to submit them to the decision of referees agreed upon by the parties; and the minister in each country shall prepare a form of submission for such cases, to be signed by the parties, and acknowledged before the consul. When parties have so agreed to refer, the referees may, after suitable notice of the time and place of meeting for the trial, proceed to hear the case, and a majority of them shall have power to decide the matter. If either party refuses or neglects to appear, the referees may proceed ex parte. After hearing any case such referees may deliver their award, sealed, to the consul, who, in court, shall open the same; and if he accepts it, he shall

indorse the fact, and judgment shall be rendered thereon, and execution issue in compliance with the terms thereof. The parties, however, may always settle the same before return thereof is made to the consul.

[SEC. 4099. In all criminal cases which are not of a heinous character, it shall be lawful for the parties aggrieved or concerned therein, with the assent of the minister in the country, or consul, to adjust and settle the same among themselves, upon pecuniary or other considerations.

[SEC. 4100. The ministers and consuls shall be fully authorized to call upon the local authorities to sustain and support them in the execution of the powers confided to them by treaty, and on their part to do and perform whatever is necessary to carry the provisions of the treaties into full effect, so far as they are to be executed in the countries, respectively.

[SEC. 4101. In all cases, except as herein otherwise provided, the punishment of crime provided for by this Title shall be by fine or imprisonment, or both, at the discretion of the officer who decides the case, but subject to the regulations herein contained, and such as may hereafter be made. It shall, however, be the duty of such officer to award punishment according to the magnitude and aggravation of the offense. Every person who refuses or neglects to comply with the sentence passed upon him shall stand committed until he does comply, or is discharged by order of the consul, with the consent of the minister in the country.

[SEC. 4102. Insurrection or rebellion against the government of either of those countries, with intent to subvert the same, and murder, shall be capital offenses, punishable with death; but no person shall be convicted of either of those crimes, unless the consul and his associates in the trial all concur in opinion, and the minister also approves of the conviction. But it shall be lawful to convict one put upon trial for either of these crimes, of a less offense of a similar character, if the evidence justifies it, and to punish, as for other offenses, by fine or imprisonment, or both.

[SEC. 4103. Whenever any person is convicted of either of the crimes punishable with death, in either of those countries, it shall be the duty of the minister to issue his warrant for the execution of the convict, appointing the time, place, and manner; but if the minister is satisfied that the ends of public justice demand it, he may from time to time postpone such execution; and if he finds mitigating circumstances which authorize it, he may submit the case to the President for pardon.

[SEC. 4104. No fine imposed by a consul for a contempt committed in presence of the court, or for failing to obey a summons from the same, shall exceed fifty dollars; nor shall the imprisonment exceed twenty-four hours for the same contempt.

[SEC. 4105. Any consul, when sitting alone for the trial of offenses or misdemeanors, shall decide finally all cases where the fine imposed does not exceed one hundred dollars, or the term of imprisonment does not exceed sixty days.

[SEC. 4106. Whenever, in any case, the consul is of opinion that, by reason of the legal questions which may arise therein, assistance will be useful to him, or whenever he is of opinion that severer punishments than those specified in the preceding sections will be required, he shall summon, to sit with him on the trial, one or more citizens of the United States, not exceeding four, and in capital cases not less than four, who

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shall be taken by lot from a list which had previously been submitted to and approved by the minister, and shall be persons of good repute and competent for the duty. Every such associate shall enter upon the record his judgment and opinion, and shall sign the same; but the consul shall give judgment in the case. If the consul and his associates concur in opjnion, the decision shall, in all cases, except of capital offenses and except as provided in the preceding section, be final. If any of the associates differ in opinion from the consul, the case, without further proceedings, together with the evidence and opinions, shall be referred to the minister for his adjudication, either by entering up judgment therein, or by remitting the same to the consul with instructions how to proceed therewith.

[SEC. 4107. Each of the consuls mentioned in section four thousand and eighty-three shall have at the port for which he is appointed, jurisdiction as herein provided, in all civil cases arising under such treaties, respectively, wherein the damages demanded do not exceed the sum of five hundred dollars; and, if he sees fit to decide the same without aid, his decision thereon shall be final. But whenever he is of opinion that any such case involves legal perplexities, and that assistance will be useful to him, or whenever the damages demanded exceed five hundred dollars, he shall summon, to sit with him on the hearing of the case, not less than two nor more than three citizens of the United States, if such are residing at the port, who shall be taken from a list which had previously been submitted to and approved by the minister, and shall be of good repute and competent for the duty. Every such associate shall note upon the record his opinion, and also, in case he dissents from the consul, such reasons therefor as he thinks proper to assign; but the consul shall give judgment in the case. If the consul and his associates concur in opinion, the judgment shall be final. If any of the associates differ in opinion from the consul, either party may appeal to the minister, under such regulations as may exist; but if no appeal is lawfully claimed, the decision of the consul shall be final.

[SEC. 4108. The jurisdiction allowed by treaty to the ministers, respectively, in the countries named in section four thousand and eighty-three shall be exercised by them in those countries, respectively, wherever they may be.

[SEC. 4109. The jurisdiction of such ministers in all matters of civil redress, or of crimes, except in capital cases for murder or insurrection against the governments of such countries, respectively, or for offenses against the public peace amounting to felony under the laws of the United States, shall be appellate only: *Provided*, That in cases where a consular officer is interested, either as party or witness, such minister shall have original jurisdiction.

[SEC. 4110. All such officers shall be responsible for their conduct to the United States, and to the laws thereof, not only as diplomatic or consular officers, but as judicial officers, when they perform judicial duties, and shall be held liable for all negligences and misconduct as public officers.

[SEC. 4111. The President is authorized to appoint marshals for such of the consular courts in those countries as he may think proper, not to exceed seven in number, namely: one in Japan, four in China, one in Siam, and one in Turkey, each of whom shall receive a salary of one thousand dollars a year, in addition to the fees allowed by the regulations of the ministers, respectively, in those countries.

[SEC. 4112. It shall be the duty of the marshals, respectively, to execute all process issued by the minister of the United States in those countries, respectively, or by the consul at the port at which they reside, and to make due return thereof to the officer by whom it was issued, and to conform in all respects to the regulations prescribed by the ministers, respectively, in regard to their duties.

[SEC. 4113. Each marshal, before entering upon the duties of his office, shall give bond for the faithful performance thereof in a penal sum not to exceed ten thousand dollars, with two sureties to be approved by the Secretary of State. Such bond shall be transmitted to the Secretary of the Treasury, and a certified copy thereof be lodged in the office of the minister.

[SEC. 4114. Whenever any person desires to bring suit upon the bond of any such marshal, it shall be the duty of the Secretary of the Treasury, or of the minister having custody of a copy of the same, to give to the person so applying a certified copy thereof, upon which suit may be brought and prosecuted with the same effect as could be done upon the original: *Provided*, The Secretary of the Treasury, or the minister to whom the application is made, is satisfied that there is probable cause of action against the marshal.

[SEC. 4115. Upon a plea of non est factum, verified upon oath, or any other good cause shown, the court or the consul or minister trying the cause may require the original bond of the marshal in those countries to be produced; and it shall be the duty of the Secretary of the Treasury to forward the original bond to the court, or consul, or minister requiring the same.

[SEC. 4116. All rules, orders, writs, and processes of every kind which are intended to operate or be enforced against any of the marshals, in any of the countries named in this Title, shall be directed to and executed by such persons as may be appointed for that purpose by the minister or consul issuing the same.

[SEC. 4117. In order to organize and carry into effect the system of jurisprudence demanded by such treaties, respectively, the ministers, with the advice of the several consuls in each of the countries, respectively, or of so many of them as can be conveniently assembled, shall prescribe the forms of all processes to be issued by any of the consuls; the mode of executing and the time of returning the same; the manner in which trials shall be conducted, and how the records thereof shall be kept; the form of oaths for Christian witnesses, and the mode of examining all other witnesses; the costs to be allowed to the prevailing party, and the fees to be paid for judicial services; the manner in which all officers and agents to execute process, and to carry this Title into effect, shall be appointed and compensated; the form of bail-bonds, and the security which shall be required of the party who appeals from the decision of a consul; and shall make all such further decrees and regulations from time to time, under the provisions of this Title, as the exigency may demand.

[SEC. 4118. All such regulations, decrees, and orders shall be plainly drawn up in writing, and submitted, as hereinbefore provided, for the advice of the consuls, or as many of them as can be consulted without prejudicial delay or inconvenience, and such consul shall signify his assent or dissent in writing, with his name subscribed thereto. After taking such advice, and considering the same, the minister in each of those countries may, nevertheless, by causing the decree, order, or

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regulation to be published with his signature thereto, and the opinions of his advisers inscribed thereon, make it binding and obligatory, until annulled or modified by Congress; and it shall take effect from the publication or any subsequent day thereto named in the act.

[SEC. 4119. All such regulations, orders, and decrees shall, as speedily as may be after publication, be transmitted by the ministers, with the opinions of their advisers, as drawn up by them severally, to the Secretary of State, to be laid before Congress for revision.

SEC. 4120. It shall be the duty of the minister in each of those countries to establish a tariff of fees for judicial services, which shall be paid by such parties, and to such persons, as the minister shall direct; and the proceeds shall, as far as is necessary, be applied to defray the expenses incident to the execution of this Title; and regular accounts, both of receipts and expenditures, shall be kept by the minister and consuls and transmitted annually to the Secretary of State.

[SEC. 4121. The President, when provision is not otherwise made, is authorized to allow, in the adjustment of the accounts of each of the ministers or consuls, the actual expenses of the rent of suitable buildings or parts of buildings to be used as prisons for American convicts in those countries, not to exceed in any case the rate of six hundred dollars a year; and also the wages of the keepers of the same, and for the care of offenders, not to exceed, in any case, the sum of eight hundred dollars per annum. But no more than one prison shall be hired in Japan, four in China, one in Turkey, and one in Siam, at such port or ports as the minister, with the sanction of the President, may designate, and the entire expense of prison and prison-keepers at the consulate of Bangkok, in Siam, shall not exceed the sum of one thousand dollars a year.

[SEC. 4122. The President is authorized to allow, in the adjustment of the accounts of the consul-general at Shanghai, the actual expense of the rent of a suitable building, to be used as a prison for American convicts in China, not to exceed one thousand five hundred dollars a year; and also the wages of the keepers of the same, and for the care of offenders, not to exceed five thousand dollars a year; and to allow, in the adjustment of the accounts of the consuls at other ports in China, the actual expense of the hire of constables and the care of offenders, not to exceed in all five thousand dollars a year.

* * * * * * *

[SEC. 4125. The provisions of this Title, so far as the same relate to crimes and offenses committed by citizens of the United States, shall extend to Turkey, under the treaty with the Sublime Porte of May seventh, eighteen hundred and thirty, and shall be executed in the Ottoman dominions in conformity with the provisions of the treaty, and of this Title, by the minister and the consuls appointed to reside therein, who are hereby ex-officio vested with the powers herein conferred upon the ministers and consuls in China, for the purposes above expressed, so far as regards the punishment of crime, and also for the exercise of jurisdiction in civil cases wherein the same is permitted by the laws of Turkey, or its usages in its intercourse with the Franks, or other foreign Christian nations.

[SEC. 4126. The provisions of this Title shall extend to Persia, in respect to all suits and disputes which may arise between citizens of the United States therein; and the minister and consuls who may be appointed to reside in Persia are hereby invested, in relation to such

suits and disputes, with such powers as are by this Title conferred upon the ministers and consuls in China. All suits and disputes arising in Persia between Persian subjects and citizens of the United States shall be carried before the Persian tribunal to which such matters are usually referred, at the place where a consul or agent of the United States may reside, and shall be discussed and decided according to equity, in the presence of an employé of the consul or agent of the United States; and it shall be the duty of the consular officer to attend the trial in person, and see that justice is administered. All suits and disputes occurring in Persia between the citizens of the United States and the subjects of other foreign powers, shall be tried and adjudicated by the intermediation of their respective ministers or consuls, in accordance with such regulations as shall be mutually agreed upon by the minister of the United States for the time being, and the ministers of such foreign powers, respectively, which regulations shall from time to time be submitted to the Secretary of State.

[SEC. 4127. The provisions of this title, so far as the same are in conformity with the stipulations in the existing treaties between the United States and Tripoli, Tunis, Morocco, Muscat, and the Samoan or Navigator Islands, respectively, shall extend to those countries, and shall be executed in conformity with the provisions of the treaties and of the provisions of this title by the consuls appointed by the United States to reside therein, who are hereby ex officio invested with the powers herein delegated to the ministers and consuls of the United States appointed to reside in the countries named in section four thousand and eighty-three, so far as the same can be exercised under the provisions of treaties between the United States and the several countries mentioned in this section, and in accordance with the usages of the countries in their intercourse with the Franks or other foreign Christian nations. And whenever the United States shall negotiate a treaty with any foreign government, in which the American consul-general or consul shall be clothed with judicial authority, and securing the right of trial to American citizens residing therein before such consul-general or consul, and containing provisions similar to or like those contained in the treaties with the governments named in this act, then said title, so far as the same may be applicable, shall have full force in reference to said treaty, and shall extend to the country of the government negotiating the same.

[SEC. 4128. If at any time there be no minister in either of the countries hereinbefore mentioned, the judicial duties which are imposed by this Title upon the minister shall devolve upon the Secretary of State, who is authorized and required to discharge the same.

[SEC. 4129. The provisions of this Title relating to the jurisdiction of consular and diplomatic officers over civil and criminal cases in the countries therein named, shall extend to any country of like character with which the United States may hereafter enter into treaty relations.

[SEC. 4130. The word "minister", when used in this title shall be understood to mean the person invested with, and exercising, the principal diplomatic functions. The word "consul" shall be understood to mean any person invested by the United States with, and exercising, the functions of consul-general, vice consul-general, consul or vice-consul.]

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Calendar No. 2298

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2275

AUTHORIZING THE CONSTRUCTION, OPERATION, AND MAINTENANCE OF THE HELLS CANYON DAM ON THE SNAKE RIVER BETWEEN IDAHO AND OREGON

JUNE 19, 1956.—Ordered to be printed

Mr. MURRAY, from the Committee on Interior and Insular Affairs, submitted the following

REPORT

together with

INDIVIDUAL AND MINORITY VIEWS

[To accompany S. 1333]

The Senate Committee on Interior and Insular Affairs, to whom was referred the bill (S. 1333) to authorize the construction, operation, and maintenance of the Hells Canyon Dam on the Snake River between Idaho and Oregon, and for related purposes, having considered the same, report favorably thereon with amendments and with the recommendation that the bill, as amended, do pass.

PART I

A. PURPOSES OF THE BILL

The primary purpose of S. 1333 is to authorize continuation of full comprehensive development of the Columbia River and its tributaries and to prevent the wasteful underdevelopment of the greatest and most economic dam site remaining undeveloped in the United States. The major feature of the bill, the high Hells Canyon Dam, is the only method ever proposed to harness the enormous potential of the Middle Snake River for maximum multipurpose use in the national interest.

A second purpose of the bill is to authorize construction of the Scriver Creek power facilities of the Payette unit of the Mountain Home reclamation project in Idaho.

To carry out the primary purpose stated above, S. 1333 will:

(1) Provide flood control through regulation of the middle reach of the Snake River, largest tributary of the Columbia, for the protection of lives and property ravaged by floods resulting from inadequate upstream storage facilities.

(2) Reaffirm conservation policies evolved over 50 years and reassert congressional policy to secure the maximum development of the Colum-

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bia River system in the best interests of the Northwest and the Nation.

(3) Carry forward the comprehensive plan for the Columbia Basin developed over 30 years by the Corps of Engineers by authorizing the construction of the only remaining unauthorized project in the current C–2 phase of the main control plan (appendix A), the nucleus of the full comprehensive plan for flood control, power production, navigation, and recreation. Elements of the plan have consistently been approved by the Congress at successive stages over the last 20 years.

(4) Provide the maximum system generation of prime power by use of the full at-site head and streamflow, by providing 3,880,000 acre-feet of storage capacity to firm up power production at downstream plants during the low-water season of the year, and by full integration with the Columbia River power system.

(5) Assure the maximum public benefit from the power so produced by interconnecting Hells Canyon Dam and the great Columbia River power system, by reserving to Idaho and eastern Oregon 500,000 kilowatts of firm power, and by authorizing the sale of such power pursuant to the provisions of the Bonneville Project Act affecting transmission, distribution, sale, and rate schedules.

(6) Benefit farmers from the Midwest to the Pacific coast by providing the only available source of low-cost power for the production of less expensive phosphate fertilizers from the great phosphate beds of southeast Idaho and Utah, which contain nearly two-thirds of the Nation's phosphate resources.

(7) Assist the economic growth of the Pacific Northwest, including Idaho, and its contribution to the national economy and the national defense by providing power for continuing industrial growth.

(8) Assist fish and wildlife conservation and provide a magnificent national recreational resource in one of the most rugged areas in the United States.

(9) Aid the growth of irrigation in the agricultural economy of southern Idaho by providing financial aid for such future irrigation projects as Congress may subsequently authorize for the central and upper Snake River Basin.

(10) Contribute to the completion of the 500-mile inland navigation route from the mouth of the Columbia to Lime Point above Lewiston on the Snake River.

In seeking to achieve all of these ends, S. 1333 recognizes the paramount character of existing and future water rights for irrigation and other beneficial consumptive uses of water. Its purpose is to give maximum and unassailable protection to those rights.

B. Committee Amendments

Committee recommendations are as follows:

Page 1, beginning on line 4, strike "the" through "United States" on page 2, line 2.

Page 3, line 5, strike "The" and insert the following: "Notwithstanding the provisions of any other law, the".

Page 3, line 10, strike "upstream".

Page 3, line 11, add "upstream from the dam and downstream."

Page 3, line 16, after word "of", insert word "firm".

Page 4, line 3, strike citation "16 Stat. 832" and insert in lieu thereof "50 Stat. 731".

EXPLANATION OF AMENDMENTS

The first amendment relates to section 1 of the bill. The omissions provided for by deletions set forth in this particular amendment relates to the general welfare and commerce clauses of the Constitution and, as amended, the section omits specific references to the constitutional authority of the United States under the general welfare and commerce clauses of article I, section 8, of the Constitution, and to the power of the United States to make rules and regulations respecting its property. The constitutional bases of the project remain unimpaired by the omission of these references, but the objective with respect to the protection of existing and future water rights is materially cleared. The fear of threats to waters, while considered to have been allayed by the provisions of section 2, stems generally from the power of the United States to regulate commerce and thereby to develop navigable streams (*U. S.* v. *Appalachian Electric Power Co.*, 311 U. S. 420 (1940)), and from its power and control over its own property (*FPC* v. *Oregon*, 349 U. S. 435 (1955)). The omission of specific references to these particular constitutional powers should remove any question as to an interpretation of the limitation imposed on the United States by section 2, as amended.

Concern was expressed during the hearings on S. 1333 as to the effectiveness of section 2, as introduced, to prevent possible assertions of rights under this bill by the United States and its agencies. The Supreme Court in the *Appalachian* case (311 U. S. 377 (1940)) laid down the rule of law that the United States has plenary power under the commerce clause—

> to deny the privilege of construction of an obstruction in those (navigable) waters. It may likewise grant the privilege on terms.

The Court similarly stated in the *Gerlach* case (339 U. S. 725 (1950)) that Congress can and has effectively controlled the activities of its agencies in this field.

Recognizing these rules, and to prevent any question about the intention of Congress so to control its agencies, the committee amended section 2 by inserting the introductory phrase, "Notwithstanding the provisions of any other law,".

The second amendment to section 2 strikes from line 10 of page 3 the word "upstream" and adds to line 11 the phrase "upstream from the dam and downstream". This amendment is intended by the committee to extend the protection of section 2 to cover beneficial consumptive use rights downstream from the dam as well as upstream.

The committee concludes that section 2 as amended provides the fullest possible protection against infringement by this project on any beneficial consumptive use rights, present or future. The only way greater protection could be afforded would be by an amendment of the Constitution.

In section 3, line 16 the word "firm" was inserted on motion of the senior Senator from Idaho (Mr. Dworshak) to indicate the class of power reserved to the State of Idaho and the central and upper Snake River Basin.

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C. The Bill As Amended

S. 1333, as amended and reported by the committee, reads as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in order to foster comprehensive development of the resources of the Snake River and its tributaries, ~~the Congress, in the exercise of its constitutional authority to provide for the general welfare, to regulate commerce among the States, and to make all needful rules and regulations respecting property belonging to the United States,~~ and for the purposes, among others, of controlling and utilizing the Snake River and its tributaries for beneficial objects, including generation of hydroelectric power and energy for the national defense and other purposes, irrigation of lands, navigation and flood control, and for purposes incidental to any of the foregoing, including providing financial assistance to Federal reclamation projects, the Department of the Interior, under the supervision and direction of the Secretary of the Interior (hereinafter referred to as the "Secretary") is authorized and directed to construct, substantially in accordance with the physical plans set out in the reports referred to hereinafter as—

(a) the Hells Canyon Dam, as described in volume 2 of House Document Numbered 473, Eighty-first Congress, and as modified by the report of the Commissioner of Reclamation, approved by the Secretary on May 11, 1951; and

(b) the Scriver Creek power facilities of the Payette unit of the Mountain Home division, as described in the report of the Commissioner of Reclamation, approved by the Secretary on May 11, 1951.

The Secretary in prosecuting his activities under this section and in operating and maintaining said projects shall, except as is otherwise provided in this Act, be governed by the Federal reclamation laws (Act of June 17, 1902, 32 Stat. 388, and Acts amendatory thereof or supplementary thereto).

Sec. 2. ~~The~~ *Notwithstanding the provisions of any other law, the* operation of the Hells Canyon Dam shall be only such as does not conflict with present and future rights to the use of water for irrigation or other beneficial consumptive uses, whether now or hereafter existing, valid under State law, of the ~~upstream~~ waters of the Snake River and its tributaries *upstream from the dam and downstream.*

Sec. 3. (a) In order to facilitate the development of the Central and Upper Snake River Basin, and also that of downstream areas, the Hells Canyon Dam and powerplant and the Federal Columbia River power system shall be interconnected, and five hundred thousand kilowatts of *firm* power attributable to the Hells Canyon project, or such portion thereof as is required from time to time to meet loads under contracts made within this reservation, shall be made available for use in Central and Upper Snake River Basin and

to all other parts of Idaho lying outside the Central and Upper Snake River Basin.

(b) Electric energy available from Hells Canyon Dam and powerplant and the Scriver Creek power facilities not required for the operation thereof shall be marketed by the Secretary in accordance particularly with sections 1, 2, 3, 4, 5, 6, and 7 of Bonneville Project Act of 1937, as amended (~~16 Stat. 832~~ *50 Stat. 731*), dealing with transmission, distribution, sale and rate schedules.

(c) The Secretary is authorized and directed to supply and transmit from the McNary Dam the necessary construction power for the Hells Canyon Dam.

SEC. 4. (a) The initial works of the projects authorized by section 1 of this Act and any additional works or division, including the irrigation features of the Payette unit of the Mountain Home division, that may be authorized as hereinafter provided shall be treated as one project for the purpose, among others, of providing for the application of project revenues to the return of reimbursable costs in accordance with the provisions of the Federal reclamation laws. Federal reclamation developments proposed to be constructed in the Central and Upper Snake River Basin may be authorized as works or divisions of these projects but only if such authorization is specifically provided by an Act of Congress. Recommendations by the Secretary with respect to such authorizations shall be made in connection with the Secretary's report and findings under section 9 of the Reclamation Project Act of 1939 (53 Stat. 1187), which report shall include findings as to the costs and benefits of the proposed developments and as to the effect of such authorization on the project's power rate structure. In the case of the irrigation features of the Payette unit of the Mountain Home division, such a report shall be made and transmitted to the Congress not later than during the term of the Eighty-fifth Congress.

(b) The term "Central and Upper Snake River Basin" as used in this Act shall mean the area comprising the drainage basin of the Snake River and its tributaries down to and including the Clearwater River.

SEC. 5. There are hereby authorized to be appropriated, out of moneys not otherwise appropriated, such sums as may be required to carry out the purposes of this Act.

SECTION BY SECTION ANALYSIS

A section by section analysis of S. 1333, as recommended with amendments, is as follows:

Section 1

Section 1 outlines the purpose of the bill as designed to foster comprehensive development of the resources of the Snake River and its tributaries (major components of the Columbia River system). Included in the objectives are the generation of hydroelectric power for national defense and other purposes, irrigation, navigation and

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flood control, recreation, and fish and wildlife incidental purposes, including financial assistance to Federal reclamation projects.

The Secretary of the Interior is authorized and directed to construct the two major features authorized by the bill:

Hells Canyon Dam, as described in House Document 473, 81st Congress, as modified; and

Scrivner Creek power facilities of the Payette unit, Mountain Home division, as described in the May 11, 1951, report of the Commissioner of Reclamation.

The Secretary shall be governed (except as otherwise provided in this act) by the Federal reclamation laws (act of June 17, 1902, and acts amendatory or supplementary thereto).

Section 2

Section 2 provides unequivocably for the protection of present and future rights to the use of water for irrigation and other beneficial consumptive uses under State laws. This assurance includes both upstream and downstream rights.

Section 3

Section 3 (a) directs the interconnection of the Hells Canyon power facilities with the Federal (Bonneville) Columbia River power system.

This subsection specifically reserves 500,000 kilowats of Hells Canyou firm power for use in the State of Idaho and eastern Oregon.

Section 3 (b) provides that the Bonneville Power Authority shall market Hells Canyon power under the Bonneville Project Act of 1937.

Section 3 (c) directs that construction power for Hells Canyon Dam shall be supplied from McNary Dam.

Section 4

Section 4 (a) provides that the Hells Canyon and Scrivner Creek developments, including the irrigation features of the Payette unit, Mountain Home division, when authorized, shall be treated as one project. All proposed reclamation developments in the central and upper Snake River Basin shall be subject to the provisions of section 9 of the Reclamation Project Act of 1939 (53 Stat. 1187), especially with respect to such authorizations on the power rate structure of the Hells Canyon project.

Section 4 (a) also specifically provides that the report on the irrigation features of the Mountain Home division, Payette unit, shall be submitted to the Congress during the 85th Congress.

Section 4 (b) defines the central and upper Snake River Basin, for the purposes of this act, as comprising the drainage area of the Snake River down to and including the Clearwater River.

D. Committee Hearings

The committee, in accordance with its practice, provided full opportunity for all individuals, organizations, corporations, or groups to testify or submit statements on S. 1333 by means of hearings conducted by the Irrigation and Reclamation Subcommittee.

In order to accommodate local interested persons and groups on their home grounds, hearings were held at Boise and Lewiston, Idaho, on April 4: at Pasco, Wash., on April 5; and at Portland, Oreg., on

April 6, 1955. The time available was equally divided between the proponents and opponents of the bill, and a striking similarity in resolutions and statements indicated well organized and unified positions both for and against the legislation.

Subsequently, in the week of May 2 to 6, 1955, exhaustive hearings were held in Washington, D. C., with expert testimony from many witnesses. Again, full opportunity was given for the presentation by any witness of information which would assist the committee in resolving conflicting contentions with respect to the bill.

Among the witnesses who opposed the bill and its objectives were spokesmen for the Idaho Power Co., a corporation chartered under the laws of the State of Maine and serving southern Idaho and eastern Oregon. At the time this company had pending before the Federal Power Commission applications for licenses to construct three dams and powerplants in the Hells Canyon reach of the Snake River. Testifying in favor of the bill were outstanding technical experts of the Bureau of Reclamation, the Geological Survey, the Bonneville Power Administration, and the Corps of Engineers.

The committee considered S. 1333 and suggested amendments thereto after the testimony taken at the open hearings, together with vast supplemental material, had been printed.

II. THE PROJECT

A. Description

The Snake River Basin above the Hells Canyon Dam site comprises 74,000 square miles. The streamflow varies from year to year, depending upon the precipitation, which amounts to less than 15 inches a year over much of the basin. The porous nature of much of the Snake River Valley results in extensive return flow from upstream irrigation development, which exerts a regulatory effect on streamflow and results in a beneficial effect by upstream irrigation on downstream power development. As indicated by appendix B, there is little evidence of serious depletion of streamflow from upstream irrigation during the 40 years of record.

After receiving the inflow below Hells Canyon of the Clearwater and Salmon Rivers and minor tributaries, the Snake flows into the Columbia River as its largest single tributary.

The Columbia drains parts of British Columbia, Oregon, Washington, Idaho, western Montana, and small sections of Wyoming, Utah, and Nevada, with a total area of 259,000 square miles, of which 39,000 are in Canada. Its annual flow is exceeded only by the Mississippi system in this country. It has the greatest power potential of any river on the North American Continent, of which only about 20 percent has been developed.

HELLS CANYON DAM

Hells Canyon Dam would be located between Oregon and Washington 247.3 miles above the mouth of the Snake River, where it carves out the deepest chasm in North America. The dam would be the second highest in the world, consisting of a concrete arch 722 feet from foundation to crest, or 4 feet less than Hoover Dam on the Colorado River. The powerhouse would have eight 100,000-kilowatt gen-

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erators, with provision for a ninth to be added later. The operating head would vary between 602 and 313 feet.

The Hells Canyon Reservoir would hold 4,400,000 acre-feet of water, of which 3,880,000 would be active storage; it would reach 93 miles upstream and have a surface area of 24,800 acres. Normal operation would be filling of the reservoir during the spring and summer flood season and release of the stored water as necessary during the fall and winter months, thus providing the most effective use for both flood control and power output from plants in the remainder of the system.

Based upon the latest estimates of the Bureau of Reclamation, which would construct the dam, the cost is $308,472,000. This reduction from the previous 1952 estimate of $356,810,000 is similar to the experience of the Army engineers, who have recently reduced the estimated completion costs of The Dalles Dam from $348,372,000 to below $300 million and Chief Joseph Dam from $186,880,000 to $158 million. The interest during construction would be $19,139,000.

The 1952 Bureau of Reclamation estimate of the benefit-cost ratio for this project, including Scriver Creek, was 1.50 to 1. The Federal Power Commission examiner made a finding of benefit-cost ratio for the high dam alone of 1.83 to 1 (finding 150). These estimates are even more favorable when revised to allow for the lower cost estimate mentioned and higher navigation and flood-control benefits as reestimated by the Corps of Engineers.

SCRIVER CREEK PROJECT

Scriver Creek is a tributary of the middle fork of the Payette River, which flows into the Snake. The installed capacity of upper Scriver Creek power facility would be 37,500 kilowatts. The lower Scriver Creek plant would have a capacity of 60,000 kilowatts initially and an ultimate capacity of 120,000. Also included would be the use of the existing Cascade Reservoir on the North Fork of the Payette, a diversion dam and reservoir to be built at Smith Ferry, a diversion tunnel from Smith Ferry Reservoir to upper Scriver Creek powerplant, a dam and reservoir downstream, a tunnel to the lower Scriver Creek powerplant, switchyards, transmission lines, and general property.

At January 1955 price levels the estimated construction cost of Scriver Creek facilities would be $45,934,000 and interest during construction, $2,800,000. The net repayable Federal investment after deducting nonreimbursable costs of $258,000 for fish, wildlife, and recreation, would be $48,476,000. Power sales in 50 years would repay this amount and an additional $4,658,000 for the unassigned cost of the constructed Cascade Reservoir in Idaho, plus interest.

Scriver Creek project is in no way physically connected with the Hells Canyon project.

B. Hells Canyon Dam Statistics

PHYSICAL FEATURES

Location: At river mile 247.3 on the Snake River, about 90 miles north of Weiser, Idaho.

Dam: Height, 722 feet; length (crest), 1,733 feet.

Reservoir: Total capacity, 4,400,000 acre-feet; usable capacity, 3,880,000 acre-feet.

Power: Installed capacity, 800,000 kilowatts initial, 900,000 kilowatts ultimate; prime output, 686,000 kilowatts at site, 436,000 kilowatts downstream; total, 1,122,000 kilowatts contributed to Columbia River system; salable power, 1,461,000 kilowatts. Cost per kilowatt-hour at load center, 2.65 mills.

BENEFITS

Flood control: $2,300,000 annually.

Navigation: $189,000 to $230,000 annually.

Recreation: 500,000 to 650,000 annual visitors.

Irrigation: Power revenues to help finance future reclamation projects.

Phosphate fertilizer: Low-cost power available to develop vast phosphate rock deposits in eastern Idaho-Wyoming-Utah-Montana area.

Electro-process industries: Low-cost power available to expand these industries in the whole Northwest.

Estimated costs

Construction of Hells Canyon Dam	$308,472,000
Transmission:	
Southern Idaho and system integration	68,200,000
Main system additions	8,700,000
Total, Hells Canyon Dam and transmission	385,372,000
Scriver Creek project	45,934,000
Total	431,306,000
For additional system generation when authorized	69,100,000

C. Hells Canyon Dam Will Pay for Itself

As provided by the reclamation law for all Federal projects, Hells Canyon Dam will repay from power revenues all reimbursable costs with interest over a 50-year period. Costs of transmission facilities will be completely repaid along with operating and maintenance expenses, exactly as in the present Bonneville system, where repayment is currently over $58 million ahead of schedule.

Mr. Earl Ostrander, chief financial officer of the Bonneville Power Administration, testified in detail concerning this repayment. He stated unequivocally that the power rate necessary to fully reimburse all costs of Hells Canyon power would be 2.65 mills per kilowatt-hour and that this power could be integrated into the present Bonneville system without the necessity of any increase in the current Bonneville rate.

In short, with the exception of the authorized nonreimbursable elements, Hells Canyon Dam and transmission facility costs will be repaid with interest by the power users of the Pacific Northwest. The only assistance provided by the Federal Government is the temporary use of its credit.

In this project the only nonreimbursable costs are those allocated to flood control, recreation, and navigation, which comprise less than

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15 percent of total costs. After the arbitrary 50-year payout period, Hells Canyon Dam power revenues will be available to repay the costs of nonreimbursable features of the project.

D. History

Hells Canyon Dam was first proposed as a storage and power project in a 1946 report by the Director of the Bureau of Reclamation Region I to the Commissioner, which was approved by the Secretary of the Interior on February 8, 1947. In 1948 it was included by the Corps of Engineers as a key project in the comprehensive plan of the "308 Review Report," printed in eight volumes as House Document 531, 81st Congress, 2d session. It was similarly included in the 1950 report of the Secretary of the Interior printed as House Document 473, 81st Congress, 2d session.

In 1916 Idaho Power Co. acquired a small power plant at Oxbow from a predecessor utility, which had built it in 1906. Oxbow is located on the Snake River within the reservoir area of the Hells Canyon Dam. In June 1947, within a month after the Corps of Engineers announced hearings on plans for development of the middle Snake, the company applied to the Federal Power Commission for a preliminary permit for a new project at Oxbow, but subsequently requested that its application be temporarily suspended. On December 15, 1950, the company formally applied for a license to build this project, and on May 15, 1953, filed license applications for the other 2 projects of its 3-dam plan.

On July 7, 1952, the Secretary of the Interior intervened in the FPC proceeding to oppose granting of the private license. On May 5, 1953, Secretary of the Interior Douglas McKay withdrew the Department's intervention. The Commission granted the license to the Idaho Power Co. on August 4, 1955.

Shortly after the withdrawal of the Interior Department left the high dam with no active governmental advocate before the FPC, the National Hells Canyon Association was formed by various farm groups, labor organizations, cooperatives, nonprofit utility groups, and individuals of the Pacific Northwest. The testimony indicates this was one of the most remarkable grassroots movements of recent years. This organization has subsequently carried the full burden of almost 3 years of FPC hearings and court appeals since it was permitted to intervene in the proceeding July 9, 1953. At the present time the association has appealed to the Circuit Court of Appeals of the District of Columbia to set aside the license issued by the FPC of the Idaho Power Co. for construction of its proposed projects. Oral argument has been had, but no decision has yet been issued by the appellate court.

The committee finds that the Congress has continuing jurisdiction under the Constitution of the subject matter of this bill, in spite of the issuance by the Federal Power Commission of a license for construction of the private project. This view is in accord with the opinion of the American Law Section of the Library of Congress expressed to the chairman of the House Committee on Interior and Insular Affairs on September 26, 1955. Because the Hells Canyon Dam and the three dams of the private plan are physically inconsistent and mutually exclusive, the effect of congressional authorization of the high dam project would be to cancel the Federal Power Commission license.

III. MULTIPLE PURPOSE COMPREHENSIVE DEVELOPMENT

The Nation's basic conservation policy dates from President Theodore Roosevelt and Pennsylvania Governor Gifford Pinchot, who could be called the fathers of comprehensive resource development. What the term meant to Theodore Roosevelt he clearly indicated in his 1908 message transmitting to Congress the preliminary report of his Inland Waterways Commission, saying:

> Every stream should be used to its utmost. No stream can be so used unless such use is planned in advance. When such plans are made, we shall find that, instead of interfering, one use can often be made to assist another. Each river system, from its headwaters in the forest to its mouth on the coast, is a single unit and should be treated as such (S. Doc. 325, 60th Cong., 1st sess.).

Over the past 60 years many great Senators have fought for these principles, chief among them being Senators Francis G. Newlands of Nevada, Hiram Johnson of California, George W. Norris of Nebraska, Robert LaFollette of Wisconsin, William E. Borah of Idaho, and Charles L. McNary of Oregon.

As applied particularly—but not exclusively—to the Columbia River Basin, this philosophy is well expressed by the basic document on this region, the so-called 308 Review Report on the Columbia prepared by the Army Corps of Engineers and published in 1952 as House Document 531, 81st Congress, 2d session:

> The various water resources problems in the Columbia River Basin can be solved satisfactorily only by adoption of a truly comprehensive plan of development, wherein all elements are carefully coordinated, both with respect to the immediate needs of each water use and with respect to the later expansion which will be necessary in the future. In no other way can it be assured that the optimum development of each water use will be accomplished in the best interests of each subbasin, the region, and of the Nation as a whole; or that improvements made to meet the present needs will not block or interfere with the more extensive improvements that will be required in the future. The latter consideration is of primary importance since *a project which would only partially utilize the capabilities of a site would constitute waste of a valuable national resource* (H. Doc. 531, vol. I, p. 337). [Emphasis added.]

As it has emerged over the past half-century, the concept of comprehensive river-basin development contains several important elements:

1. The fullest use of the resources.
2. Complementary development of resources to obtain the largest combined value of benefits, balancing one use against the others, i. e., a unified approach.
3. Prevention of monopolization of resources and instead their development for the widest public benefit.
4. An overall, long-range objective, to prevent the sacrifice now of a value which could be attained later.

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5. Integral management and operation of resources projects, to attain full benefits from their unified planning, design, and construction.

These principles are inherent in the comprehensive plan for the Columbia River Basin contained in House Document 531, as later coordinated with the plans of the Department of the Interior contained in House Document 473 of the 81st Congress, 2d session.

THE MAIN CONTROL PLAN

Within the larger framework of the overall comprehensive plan, the Corps of Engineers devised the main control plan to meet near-future objectives for flood control, power, and navigation, to be accompanied by recreational facilities, irrigation of new land, and the protection of fish and wildlife. The designers of this plan contemplated—but did not calculate—many indirect benefits, such as the saving of lives from floods, contributions to national security, stimulation and stabilization of employment and business, improvements in standards of living, and growth of the underdeveloped economy of the Pacific Northwest region.

Quantitatively, the goals of the main control plan, by the early 1960's, included the following:

Twenty-seven million acre-feet of storage for flood control, power production, and other purposes;

Twelve million kilowatts of installed generating capacity;

Substantial completion of the proposed 500-mile inland navigation route from the mouth of the Columbia to Lime Point above Lewiston on the Snake.

Completion of works to accomplish these objectives would be the equivalent of attainment of the current C–2 phase of the overall comprehensive plan. The earlier phases A and B have already been completed. (See Appendix A.) Projects for the later phases D, E, etc., await selection after further engineering investigations and the removal of objections to some proposals.

SELECTION OF PROJECTS

For the main control plan, the Corps of Engineers studied many alternatives in the Columbia Basin and selected "the most economical and the most effective combination of projects which were considered most acceptable to the people of the area at the time." Thus selected, the main control plan (current C–2 phase) includes 15 major projects, planned and designed as a group, interconnected by transmission lines, to be operated as an integrated system for power and other purposes.

A high Hells Canyon Dam has always been included as a key upstream storage project in the main control plan.

For all projects selected for the main control plan, the estimated benefits exceed the costs. Some recommended projects were temporarily deferred to later stages until fishery or other problems could be resolved. Projects were planned so that they would facilitate and not limit or block later developments.

Unified management and integration of all reservoirs and powerplants and extension of the transmission grid are essential elements of the main control plan to take full advantage of diversities in streamflows and loads and to minimize transmission losses.

The plan also assumes continuation of current marketing policies of the Bonneville Power Administration, so that the power produced will yield the largest possible economic benefits to the region and the Nation.

Of the C–2 phase of the main control plan, all recommended projects except Hells Canyon have been authorized by the Congress. One additional project, Glacier View in Glacier National Park, was not recommended to the Congress for authorization along with the others because of conflict with policies of the national park system.

More than $1.8 billion of Federal funds have already been invested in the projects. Completion of those under construction will increase the investment to about $2.5 billion. Repayment of the reimburseable investment, with interest, is currently well ahead of schedule.

THE SELECTION OF HELLS CANYON

The Hells Canyon project was selected particularly to control the waters of the mid-Snake, and to serve the power markets of eastern Oregon and southern Idaho, including the eastern Idaho-Utah area which contains 60 percent of the Nation's phosphate deposits, largely on public lands.

The Hells Canyon project originally planned by the corps is slightly different from that later proposed by the Bureau of Reclamation, and now the subject of this recommended authorization. The Bureau's slightly higher dam, as part of the Northwest power system, would make the largest combined contribution of benefits to that system in all water uses. In that way, it follows the criterion adopted in 1950 for project selection by the Subcommittee on Benefits and Costs of the Federal Inter-Agency River Basin Committee, which stated in its so-called Green Book:[1]

> The scope or scale of development of a project should be established at the point where the net benefits from use of resources for project purposes are at a maximum. Net benefits are at a maximum when the scale of development is established at the point where the benefits added by the last increment of extension of scope are equal to the cost necessary to add that increment of scope to the project. The least increment of scope to be analyzed is the smallest increment on which there is a practical choice as to inclusion in or omission from the project. At the point of maximized net benefits, the total project benefits will necessarily exceed the total project cost by the maximum.

Pursuant to a resolution of the Senate Committee on Public Works of October 8, 1951, the Corps of Engineers on March 14, 1952, submitted a review report of its plans for the middle Snake as contained in House Document 531. The review report concluded—

> that the plan previously recommended (i. e., Hells Canyon Dam and Nez Perce Dam below it at the mouth of the Salmon

[1] Proposed Practices for Economic Analysis of River Basin Projects, p. 13. Based on this same criterion, the presiding examiner of the Federal Power Commission concluded in his initial decision in Hells Canyon case: "No project proposed to supplant an economically feasible project in a comprehensive river-basin plan, if it would provide substantially lesser direct or total benefits than the project to be supplanted, can qualify as being 'best adapted to a comprehensive plan for improving a waterway or waterways * * *'" (finding 172).

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River) is most effective for development for this reach of Snake and Salmon Rivers * * *

The Nez Perce Dam is not included in plans for present development of the watershed, because of its sharp possible effect on migratory fish runs.

A. FLOOD CONTROL

The goal of the main control plan is to reduce the worst flood of record to a "limited damage" stage. This requires that the 1894 flow of 1,240,000 cubic feet per second at The Dalles be reduced to 800,000 cubic feet per second. Similarly, it was planned, by means of the main control plan storage reservoirs, to reduce the 1948 flow at The Dalles from 1,010,000 cubic feet per second to 700,000 cubic feet.

Hells Canyon storage would contribute 13 percent to the reduction of the 1894 flood and 17 percent to the reduction of the 1948 flood.

Of the 27 million acre-feet of storage planned for the main control plan, only 7 million is existing or under construction, or about 26 percent of that planned. According to testimony recently presented to this committee by Gen. E. C. Itschner, of the Corps of Engineers, in hearings on upper Columbia River development, little additional storage is firmly in prospect. As a result, the Corps has reduced the flood control criterion as measured in controlled flow at The Dalles, and now contemplates reduction of the 1894 flood flows to 920,000 cubic feet per second (instead of to 800,000 cubic feet per second). Needless to say, this would entail a much greater damage potential on the lower Columbia River flood plain, where the engineers have as yet no assurance that it is possible to protect by levees against flows of over 800,000 cubic feet per second, and in other areas in the basin for which unconstructed dams of the main control plan would provide flood protection.

The flood threat this year was initially as great as in the year 1894. Only a steady early melt prevented damage to the region which it is estimated for the lower Columbia area alone could have amounted to $300 million—nearly the cost of Hells Canyon Dam.

There are no flood-control substitutes for the storage of the high dam in Hells Canyon. Proposed alternative storage sites were planned for development in later stages of the comprehensive plan, and pressing them into service now is simply borrowing from the future, with no possibility of replacing the loss to the ultimate storage objective.

Additionally, as the region is built up it becomes increasingly difficult to find large storage sites which would not inundate property of substantial economic and conflicting use value, as proven by recent statements by the Corps of Engineers that half of the intended storage in the main control plan is no longer considered available. Hells Canyon Dam site is unique; its reservoir would flood the homes of less than 100 people, and total compensation required for land and land rights would be only approximately $20,600,000. Alone among the remaining storage sites in the basin it is faced with no substantial opposition because of conflicting uses of land in the reservoir area. This very problem in the case of the John Day Dam on the Columbia has recently prompted the Board of Rivers and Harbors to reduce the storage proposed at the project, from 2 million to 500,000 acre-feet.

BENEFITS

The Army engineers in 1948 estimated the annual value of flood-control benefits of Hells Canyon Dam at $1,459,800. By 1954 they had increased the estimate to $2.3 million. Even this estimate is conservative. It does not consider lives that may be saved or the increasing value of improved land, and accounts for only that portion of the total usable Hells Canyon storage—2,300,000 acre-feet—which the corps used in its flood-routing studies for the 1894 flood; and a future flood could well require the use of a larger amount of storage than these 2,300,000 acre-feet.

B. Power

The power contribution of the Hells Canyon Dam is its largest direct dollar benefit, accounting for about 85 percent of its total direct benefits.

Based on the power output estimates of those agencies which are in responsible charge of construction and operation of the project and of marketing its power, the prime power contribution of the high Hells Canyon Dam to the Federal northwest system would amount to 1,122,000 kilowatts.[2] Prime power is power available all of the time.

At site alone the project would contribute 686,000 kilowatts to the system's capability.

Hells Canyon Dam is the first and farthest upstream in a chain of projects proposed for the middle and lower Snake in the C–2 system—the current phase of the main control plan. It increases the power output and makes economically feasible the four lower Snake projects already authorized—Lower Granite, Little Goose, Lower Monumental, and Ice Harbor, which is under construction. It would add to the power output of dams already built and under construction downstream on the Columbia—Bonneville, The Dalles, and McNary. It would add to the power output of the authorized John Day project on the Columbia. The total of these downstream contributions would amount to 436,000 kilowatts of additional prime power.[3]

[2] This particular estimate assumes the existence of all projects already authorized or under construction, including a Libby Dam with 4,250,000 acre-feet of usable storage. Without Libby in the system, Hells Canyon would add even more generation at downstream plants than the 436,000 Kilowatts included in the total estimate of 1,122,000 kilowatts. See appendix C.

[3] See the following table:

Hells Canyon system benefits

[Nominal prime capability—kilowatts]

Plant	With Hells Canyon	Without Hells Canyon	Added by Hells Canyon
Hells Canyon	686,000		686,000
Lower Granite [a]	170,000	116,000	54,000
Little Goose [a]	209,000	141,000	68,000
Lower Monumental [a]	194,000	132,000	62,000
Ice Harbor [b]	204,000	139,000	65,000
McNary [c]	617,000	569,000	48,000
John Day [a]	715,000	659,000	56,000
The Dalles [b]	687,000	637,000	50,000
Bonneville [c]	476,000	452,000	24,000
Other plants [c]	3,894,000	3,885,000	9,000
Total	7,852,000	6,730,000	1,122,000

[a] Authorized.
[b] Under construction.
[c] In operation.

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With the projects completed or under construction, Hells Canyon would add 960,000 prime kilowatts to the Federal system, including 274,000 added by virtue of Hells Canyon storage releases. In addition, in the future Hells Canyon storage would add benefits variously estimated to be between 72,000 and 425,000 prime kilowatts, depending on the time and method of development assumed, to the power output of projects between Lewiston, Idaho, and Hells Canyon at sites yet to be definitely determined.

The total 1,122,000 prime kilowatts contributed by Hells Canyon Dam, based on the marketing experience of the Bonneville Power Administration, would be the equivalent of 1,461,000 kilowatts of salable firm power (on the basis of a 75 percent load factor, 7 percent losses, and a 1.05 diversity factor).

On the basis of the revised cost figures employed by the Bonneville Power Administration to determine the payout requirements for the project, the benefit-cost ratio of the power features of Hells Canyon Dam, would be 2.37 to 1. Based on the older cost figures, but on the same power output, it would be 2.20 to 1.[4]

The low-cost power from the Hells Canyon project would help meet industrial power loads in the lower Columbia areas of Washington and Oregon. But foremost, it would make available to, and reserve for, eastern Oregon and Idaho for the first time a large block of low-cost power, which could make an important contribution to the economic development of this region, especially to the utilization of its vast phosphate reserves located in eastern Idaho and Utah.

No other project or group of projects has ever been investigated or proposed for this stretch of the Snake River which could produce more power for the Pacific Northwest power system than the high Hells Canyon Dam.

C. Wildlife Conservation and Recreation

Construction of a high dam at Hells Canyon would be an outstanding contribution to the problems of providing wildlife conservation and outdoor recreation facilities in the Northwest. It would have little effect on migratory fish, because the Snake River above Weiser, Idaho, was long ago blocked to runs of salmon and steelhead, and only a very few still penetrate beyond the high dam site. Most of those that run above Lewiston go up the Salmon or the Clearwater to spawn.

In view of the great demand for new sources of power in the Pacific Northwest, the construction of Hells Canyon Dam would be a major fish conservation measure, because it would reduce the present pressure to construct hydroelectric and flood-control projects on streams where great damage to fish life would result. In February of this year Dr. Ira N. Gabrielson, chairman of the Citizens Committee on Natural Resources, publicly stated:

> We are not concerned with the battle between public versus private power interests, but it is apparent that reduction in reservoir capacity at the Hells Canyon site is forcing power and water interests to advocate high dams on the Clearwater

[4] The presiding examiner of the FPC, on the basis of the average of a number of estimates presented to the Commission by various witnesses found the benefit-cost ratio to be 1.83 to 1.

River, where a disastrous effect on fish and wildlife resources of national importance will needlessly result.

Big dams on either the Clearwater or the Salmon would wipe out important fish spawning grounds, inundate may thousands of acres of forest land, and in addition destroy critical winter range for some of the country's finest elk and deer herds. It makes little sense to reduce drastically the amount of water storage at Hells Canyon, where no important wildlife or scenic values are at stake, if this means the destruction of scenic and wildlife resources that the Nation could otherwise save for the enjoyment of present and future generations.

The effect of wildlife in Hells Canyon itself would be minor. Nesting fowl will quickly find new habitats after the reservoir is filled, and game will not be disturbed to any marked extent.

A new high dam almost the size of Hoover Dam, in some of the most rugged scenery on the North American continent of great geologic interest, would attract over half a million visitors annually. The Government would spend $1 million or more to provide facilities, in addition to roads, to take care of the tourists expected in this now barely accessible area. As Ted Trueblood, contributing editor of the outdoor magazine, Field and Stream, testified in his statement in the 1952 hearings on H. R. 5743 which were incorporated into the record of this committee's hearings by reference:

Hells Canyon Dam, with its 93-mile reservoir, would open up wonderful new possibilities for outdoorsmen in an area that is now largely inaccessible. Entirely aside from the value of the dam as a tourist attraction, the recreational opportunities would be almost limitless. I have been through this canyon along the Snake River. Once the reservoir filled, there would be countless interesting arms to explore by boat. Several small side streams that flow in would provide trout fishing. There would be thousands of good camping spots, some of which, of course, eventually would be occupied by resorts. And the reservoir itself, judging from others that I have visited, would soon provide excellent fishing for bass, crappie, and other warm-water species, as well as a resting spot for migrating ducks and geese—in addition to all the other recreational opportunities that any large body of water creates.

All in all, I believe that the building of Hells Canyon Dam would be the greatest possible good fortune that conceivably could befall the sportsmen of this area.

The committee finds that, at a time when the increasing population urbanization of this country is putting recreational resources under increasing pressure, the value of Hells Canyon Dam as a resource for wildlife conservation and outdoor recreation supports the passage of S. 1333.

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D. Irrigation

While no water impounded by the Hells Canyon Reservoir would be used for irrigation, the project would make substantial contributions toward its expansion.

Under the terms of the bill power revenues not required to amortize the power costs of the project with interest would be available to assist in the development of fertile land in southern Idaho, particularly the Payette unit of the Mountain Home project, where high-cost irrigation facilities are required. Use of revenues to irrigate these 192,000 acres, or other lands, would be subject to special later authorization by the Congress, pursuant to reports filed with the Congress by the Department of the Interior under terms of the Reclamation Project Act of 1939 (53 Stat. 1187).

The bill would merely set up a pool of revenues—a sort of basin account—to include Hells Canyon project, Scriver Creek, and additional works or division, including the irrigation features of the Payettte unit of the Mountain Home division, that may be authorized in the central and upper Snake River Basin.

That basin account is the same type of arrangement authorized by the Congress earlier this year for the upper Colorado River Basin. That act is only the most recent example of many other instances in which the Congress in the past has applied power revenues from Federal projects to help finance irrigation development in the same drainage area.

By providing a huge new source of low-cost power, the project would also make present and future public and private irrigation development more economical by reducing the cost of pumping or sprinkling water onto the land, with consequent benefits to the irrigator's income.

E. Navigation

Hells Canyon Dam is an important element in the main control plan 500-mile inland navigation route from the mouth of the Columbia to Lime Point, 30 miles above Lewiston on the Snake. The water regulation provided by the Hells Canyon Reservoir would contribute to a reduction in the cost of channel maintenance below Bonneville; it would increase the flow between Lewiston and Lime Point, making it suitable for open channel barge navigation; it would increase the power production at the four lower Snake dams and thus enhance the feasibility of these dams, which are key links in the proposed slackwater route to Lewiston.

In addition, navigation on the 93-mile-long Hells Canyon pool would permit access to mineral resources hitherto unexploited because of the absence of economic means of transportation.

The Corps of Engineers in 1948 estimated the navigation benefits to be credited to the high dam at $189,000. In 1953 the corps presented a $230,000 estimate. Part of these benefits would be derived from transportation of minerals on the Hells Canyon pool, the balance from savings downstream in reduced costs of channel maintenance.

The corps reviewed its earlier navigation benefits estimates in 1955, and increased the transportation savings above The Dalles to Lime Point by 2,165 percent and indicated that still greater increase may well be required in the future. Even their revised estimates, how-

ever, do not include "indirect and collateral benefits," which the corps states would "undoubtedly add substantial savings." Consideration of the new data would be reflected in an increase in the navigation benefits credited to the Hells Canyon project.

F. The Federal Power Commission Decision

Because of the pendency of the court appeal of the order of the Federal Power Commission granting a license for the construction of the Idaho Power Co. projects in the Hells Canyon reach of the Snake River the committee confines its discussion of the actions of the Commission in this instance to a single aspect of that case.

The element of the decision of the Federal Power Commission noted involves a clear infringement of the jurisdiction of the Congress. It concerns a discrepancy between the conclusions of this committee and the Commission with respect to Federal development of the Hells Canyon project. This is the determination by the examiner, which was not overruled by the Commission, that the Congress was not likely to act favorably on Hells Canyon legislation in the near future and, therefore, the non-Federal development should be licensed.

The examiner's opinion found the high dam to be clearly the superior project. The examiner, however, made the necessary formal statutory determination under section 10 (a) of the Federal Power Act—that the three-dam project was "best adapted to a comprehensive plan"—on the basis of his determination that the Congress would not act upon a recommendation by the Commission to Congress under section 7 (b) that the high dam be built.

A few excerpts from the examiner's decision illustrate this observation:

> I do not feel that this is a proper instance for the invoking of the provisions of section 7 (b) by the Commission even though the facts seem to point to the inescapable conclusion that with the marked and substantial advantage of the Government's credit, the high dam would be dollar for dollar the better investment and the more nearly ideal development of the Middle Snake (opinion, p. 55).

Similarly, discussing a "key findings" in the Commission staff brief, the examiner stated:

> The proposed finding is obscurely phrased. What it says is that on the basis of a theoretical comparison, the value of the power increment that would be provided by the one dam plan over the three dam plan would be equal to and greater than its cost. What it means is that if Federal planners were confronted with a choice between the three dam plan and the single high dam, the high dam would be indicated as the proper choice (Opinion, p. 50).
>
> No project proposed to supplant an economically feasible project in a comprehensive river-basin plan, if it would provide substantially lesser direct or total benefits than the project to be supplanted, can qualify as being "best adapted to a comprehensive plan for improving a waterway or waterways," assuming both plans are ripe for proceeding, all

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financing, appropriation, authorization, or license authority or whatever preliminaries of this kind are necessary have been accomplished (Opinion, finding 172).

> Even assuming that substantial benefits would accrue to the people of the United States by Federal development of the Hells Canyon site on the Snake River, and that such benefits would exceed by a substantial amount those to be conferred by development under private auspices by a licensee, there is no reason to assume that if a recommendation of Federal development were to be made under section 7 (b) by the Commission, that development of these water resources would be undertaken by the United States within a forseeable time (Opinion, finding 179).
>
> I conclude that * * * the likelihood of the authorization of and appropriation for an undertaking of the size involved in the high dam project is so remote as to make a recommendation to the Congress under section 7 (b) that such a dam be undertaken by the United States a completely useless action (Opinion, p. 56).
>
> It was not contemplated that the Federal Power Commission should make recommendations to Congress under section 7 (b) when, in its judgment, the likelihood of the acceptance of those recommendations would be remote (Opinion, finding 180).

The primary reason the committee refers to the actions of the Federal Power Commission is the fact that it has been repeatedly stated—as it was in the report of this bill by the Department of the Interior—that the determination of which is the better method of developing the Hells Canyon site should be left to the Commission on the basis of its particular competence in the field.

What in fact the examiner did was to disqualify the high dam from the contest as to which was the better project on the basis of a purely political guess as to what Congress was likely to do. In fairness to him it should be added that in doing so he specifically stated:

> That the attention of Congress will be called to the proposed issuance of any license in this matter, there can be no doubt. If the Congress feels that the Commission has not performed its function in the public interest and in accordance with the provisions of the statute, the Commission's power to issue a license may be withdrawn or suspended at any time (Opinion, p. 57).

The examiner's findings concerning the likelihood of congressional action were not overruled by the Commission. In its finding that the three-dam plan was "best adapted to a comprehensive plan" the Commission merely ignored the high dam plan for the purposes of comparison, except under an unrealistic assumption of financing of both plans by the same agency.

Obviously, in recommending enactment of S. 1333, this committee makes the finding that the Federal high dam is the project best adapted to the only comprehensive plan which has ever been proposed for the Columbia River Basin. This determination was based upon the evidence produced before the committee and the findings of fact

by the examiner of the Federal Power Commission, which were not overruled by the Commission. Since the committee's recommendation is incompatible with the formal findings by the Federal Power Commission that the three-dam plan was "best adapted," this discussion has been included in this report solely to explain the obvious discrepancy. (See appendixes D and E.)

On the other hand, the committee emphasizes that its silence concerning the legal interpretation of the Federal Power Act by the Commission should be construed in no sense as approval of such interpretation, but solely as a recognition that this issue is before the courts.

IV. HELLS CANYON—ECONOMIC KEY TO THE FUTURE

A. The Pacific Northwest

The Pacific Northwest has only within the last decade emerged from its earlier primarily agricultural economy, in which lumber was the basis of its only major industry. Lacking major sources of coal, oil or natural gas, the region is forced to rely upon its vast potential of hydroelectric energy as its source of power for industry and as its primary source of energy for all purposes.

The power markets in the Northwest are expanding at such a rate that heavy industrial power demands are not now being met, and a permanent deficiency of supply for other power uses is expected by 1960–61 unless adequate new generation is provided. Even then, additional industrial load growth would require more generation. Power contributed by Hells Canyon Dam is urgently needed.

Bonneville Power Administration is taking such a pessimistic view of the future power supply, that it is placing a ceiling on the loads even of its preference customers, to be invoked when power runs short. Close to a hundred of these small nonprofit cooperative and public distribution systems are entirely dependent for their power supply on Bonneville Power. Unless orderly development of the region's power potential is continued, the growth and continued existence of these farmer-, municipally-, or county-owned systems is gravely threatened. Only very few among them are large enough even to consider the possibility of constructing their own sources of power supply.

The welfare of labor in the Pacific Northwest is intimately tied in with the adequacy of a low-cost supply of power. Jobs are being created in the Pacific Northwest at a rate slower than the national average; seasonal unemployment, typical to agricultural and lumber industries, is still high. Low-cost power has already brought many industries to the Northwest, chief among them aluminum and other electroprocess operations. To keep pace with estimated population growth, the region must provide 50,000 new jobs each year for the next 10; 10,000 of them in manufacturing, assuming present proportions to continue. Without more power, which constitutes the key cost element in these industries, present plants will be unable to expand, and new ones will not be built in the region. Yet these are the sources of stable, year-round employment and of new jobs.

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B. Cheap Phosphate Fertilizer for the Nation's Farmers

Farmers from the west coast to the Midwest would benefit from the phosphate fertilizer that low-cost Hells Canyon power could make available to them. Cheap power from Hells Canyon Dam would make possible full use of the phosphate deposits of Idaho and Utah, greater production of high concentrates of phosphate fertilizer, and reduced costs of fertilizers to farmers as far east as Ohio. Farm organizations which own phosphate beds in Idaho and Utah cannot now proceed with their plans for development because of the lack of an assured power supply at less than 4 mills per kilowatt-hour. Hells Canyon Dam site is uniquely situated within economic transmission distance of this great phosphate resource, and power from the dam can be made available at wholesale costs of approximately 3 mills, permitting full utilization of the resource.

In and around southeastern Idaho lie about 60 percent of the national phosphate reserves, largely on public lands. These are now being mined on a very limited scale. Most of these western deposits are of low grade usable economically in the electric furnace, but not in the common sulfuric acid process of making fertilizer. The fertilizer industry cannot produce the large quantities of phosphate fertilizer needed by western and midwestern farmers at the present power rates in southern Idaho and Utah of well over 4 mills per kilowatt-hour. Due to technological improvements in making concentrated fertilizer, a price of power below 4 mills per kilowatt-hour would permit extensive production of fertilizer and the use of much more of the reserves of phosphate rock.

Farm cooperatives as far east as Ohio expect to utilize Idaho-Utah phosphates, provided low enough power rates are available. Farmers in the West and Midwest could thereby save between $15 to $18 per ton. The coupling of Hells Canyon power with the Idaho phosphate deposits has long been considered feasible under transmission plans of the Bonneville Power Administration. Consequently, the indirect benefits may be very large in the conservation of national phosphate and sulfur resources, reduction of fertilizer costs, encouragement of wider and greater fertilizer consumption, better soil conservation, and greater yield per acre of food and fiber in the years of expanding population which lie ahead.

C. A National Resource for the Future

By strengthening the economy of the Pacific Northwest and by creating new business and employment opportunities and thus expanding the tax base, regionally and nationally, Hells Canyon Dam would make a substantial contribution to the national economy. In today's interdependent economic system, increased purchasing power in one section of the Nation inevitably benefits the economy of every other section.

Only last week the Senate, in extending the Defense Production Act for another 2 years, adopted an amendment to declare the congressional policy of promoting geographic dispersal of United States industrial facilities in the interest of national defense. Few industries will be able to locate or expand in the Pacific Northwest, where they face high freight rates to the major markets of the East, if low-

cost power is not available either for their own operations or for the continued expansion of the region's economy to provide local markets for their products.

Construction of Hells Canyon Dam would not only add over a million firm kilowatts of power within a few years to the region's critical short supply; it would also reaffirm the intent of Congress to assure continued orderly full development of the resources of the Pacific Northwest in the public interest and would thereby stimulate a resumption of the dynamic growth of the region.

The Northwest contains many mineral deposits which, because of their complexity or low grade, remain largely untapped. In some instances the availability of low-cost power has already permitted the utilization of such mineral deposits by means of electric processes uniquely adapted to their development. One of these is the nickel plant established in southwestern Oregon just a few years ago, which provides the only nickel produced in this country. Contributions of this kind to our minerals and metals economy are of great strategic national importance, beyond their direct benefit to the region.

Similarly, low-cost power will assist the further development of the light metals industry, which is so vital in an age of air power. The coming of the aluminum industry has already transformed the Pacific Northwest and turned it into 1 of the 3 major sources of supply of that metal. Production of the new metal titanium requires twice as much power as aluminum, and the Pacific Northwest contains large reserves of its ore, ilmenite. The military services have a growing need for this metal, and with ample low-cost power, the Northwest could become the location of the new plants to produce it.

Hells Canyon Dam's contribution to the total national supply of power is of particular importance when it is remembered that as a Nation we require steadily and rapidly increasing amounts of energy for domestic, rural, commercial, and especially for industrial uses. In 1929 we used only 2.6 kilowatt-hours of electric energy for each man-hour worked in industry. By 1955 this figure had risen to 7.7 kilowatt-hours per man-hour, and it is expected to approximately double by 1970.

In 1952 the President's Materials Policy Commission predicted that by 1960 the power requirements of the United States would be 131 percent greater than they were in 1950. Available information indicates that we shall exceed that estimate. Our consumption of power is doubling every 8 years. In the technological civilization of the future, energy will be the major constituent of healthy, integrated national growth. We can ill afford not to draw on every possible source of energy capable of economical development, particularly those which require no depletion of the world's diminishing fuel supplies. Hells Canyon is such a source.

V. PRECEDENTS

The committee cites here two historical precedents which clearly justify the authorization of Hells Canyon Dam—Grand Coulee Dam in Washington State and the upper Colorado River project.

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A. Grand Coulee Dam

The struggle to develop Grand Coulee Dam, the key control structure on the Columbia River in Washington State, three decades ago bears a striking resemblance to the present efforts to obtain full development at Hells Canyon. Then, as now, a private company proposed to build a smaller project in the same stretch of the river, which, had it been constructed, would have permanently deprived the people of the region and the National of vast benefits. In the case of Grand Coulee, responsible Federal officials did not permit the lesser plan to prevail; since 1941, when Grand Coulee began to produce power, the Nation has had reason to be grateful to them, and the people in the lower basin who have been spared losses by its reduction of floods are no less thankful.

In 1922 the Federal Power Commission issued a preliminary permit to the Washington Water Power Co. for a dam at Kettle Falls on the Columbia River above the site of Grand Coulee Dam, which was then only a dream in the minds of a few visionaries. Three years later the power company filed an application for a license for the construction of the project.

Action on the application was held up pending investigation of whether the technical features of the project provided full use of the available resource. In accordance with House Document 308, 69th Congress, 1st session, the Chief of Engineers undertook investigations of the upper Columbia River and on March 29, 1932, submitted his report containing a general plan for the improvement of the Columbia River. This was the first "308 Report," and it proposed a high dam at the Grand Coulee site, the reservoir of which would flood the Kettle Falls site.

The Corps of Engineers and the Bureau of Reclamation formally opposed the granting of the Kettle Falls license because it conflicted with the great project of the overall basin plan although Grand Coulee then, like Hells Canyon, was unauthorized, and the Federal Power Commission ordered the applicant to show cause why its application should not be rejected. Subsequently construction was commenced on the Grand Coulee project, and 2 years later the application of the Washington Water Power Co. was officially denied. The first power from Grand Coulee came on the line in December 1941.

The Grand Coulee story differs from the Hells Canyon proposal in that the Federal Power Commission there provided the maximum possible protection for the comprehensive plan site, refusing to find the lesser project "best adapted to a comprehensive plan" in the face of the more complete use of the resource which the high dam would provide. In the present instance the Federal Power Commission has provided no such protection for the project of the greatly refined and perfected comprehensive plan.

Similarly, in the previous instance, the Secretary of the Interior acted in accordance with the advice of technical experts of his department in opposing the lesser project. In the present case the outstanding engineers of the Bureau of Reclamation have consistently opposed the private three-dam plan and testified to the superiority of the high dam, yet the then Secretary, Douglas McKay, withdrew the Department's intervention in opposition to the three-dam plan in the Federal Power Commission proceeding. Although the experts were permitted

to testify before Congress and the Federal Power Commission, their advice has been completely ignored by their superiors.

On February 17, 1956, Secretary McKay, testifying before the Joint Committee on the Economic Report, stated:

> I came to Washington with an open mind on the Hells Canyon. Some of the other governors were violently opposed to the thing; but after investigation and talking to the engineers, who know more than I do about the thing, I was convinced that the Government high dam is a white elephant.

The Secretary did not state what engineers he talked to, but they were assuredly not the top-ranking Department engineers who testified before this committee. An interesting parallel is provided by his use of the term "white elephant" to describe Hells Canyon Dam. This is the identical term used by the opponents of Grand Coulee 20 years ago to describe the greatest man-made project in the history of the world.

B. Colorado River Storage Project

This committee last year approved, and the Congress recently enacted into law, S. 500 authorizing the Colorado River storage project. In the hearings on that project, as in the hearings on this bill, there were extensive conflicts of testimony concerning project feasibility, alternative proposals, and many other technical and engineering problems. As it has so often in the past, the committee and the Congress generally accepted the technical testimony of the experienced engineers of the Bureau of Reclamation.

From its inception 10 years ago, the Hells Canyon project has been firmly advocated by the Bureau technicians, whose engineering work has been supported by the Army Corps of Engineers which joined with the Department of the Interior in 1950 in recommending to Congress that the project be constructed.

It is the opinion of this committee that the agency which planned and constructed the Boulder Canyon project (Hoover Dam), the Columbia Basin project (Grand Coulee), the Central Valley project, and many others, has earned the full confidence of the Congress and is more than competent to guide its decision in the present case. In its recommendation that Hells Canyon Dam be authorized, the committee, therefore, relies heavily upon the technical competence of the experts of the agencies which will be charged with the construction of this project and with marketing the power therefrom.

During the hearings on the Colorado River storage project, when a witness suggested an alternative proposal to that of the Bureau for the consideration of the Senate, the senior Senator from Colorado (Mr. Millikin) stated in the record:

> The most that can be done is consideration of it, because, frankly, there is considerable confidence in the opinion of Bureau of Reclamation and the Bureau of Reclamation does not coincide with your own. They are our engineers, we employ them as our engineers. Why should we turn our back on those people and pick up random comment from other services in private life? And they have built many

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> projects, the largest in the world, and we have confidence in them. I doubt very much, with great respect for you, when you sit at this table and sneer at the Bureau of Reclamation, that the Congress is going to turn its back on them; that is just whistling in the wind.

The committee, as indicated throughout this report, adopts Senator Millikin's opinion of Reclamation and other Interior experts as its own in its consideration of S. 1333 and is acting in accordance therewith.

VI. PROTECTION OF WATER RIGHTS

Certain witnesses who appeared before the committee expressed sincere concern that the construction of Hells Canyon Dam might, at some time in the future, result in an invasion of the rights of consumptive users of water upstream from the project. As set forth in this report, the committee finds unequivocably that any such fears are based upon a misapprehension of the facts and the law relating to the effect of this bill upon the beneficial consumptive use of water in the Snake River Basin.

A. Adequacy of Water Supply

The committee finds that the great weight of the evidence, including expert testimony available, is that the flow of the Snake River will be adequate for the operation of Hells Canyon Dam throughout the foreseeable future. The effect upon this operation on stream flow depletion from additional upstream consumptive uses will be so insignificant as to avert any impairment of the water supply during the repayment period for power production or present and future irrigation.

This determination was substantially unchallenged by any competent and qualified witness in the hearings on S. 1333. The testimony of two witnesses is worthy of mention here. Mr. John R. Riter, chief development engineer of the Bureau of Reclamation in Denver and former Chief of the Bureau's Hydrology Branch with 28 years of Government service, testified that there would be adequate streamflow to operate the dam assuming the ultimate upstream irrigation use projected by the Columbia Basin Interagency Committee of 3,806,000 acres, an increase of 1,200,000 acres over the 1948 level.

Similarly, Mr. Lynn Crandall, a hydrologist on the Snake River since 1910 and upper Snake River watermaster for the past 27 years, stated that in his opinion there would be an adequate water supply to operate the Hells Canyon project. Mr. Crandall conservatively based his opinion on an itemized figure of 1,300,000 additional irrigated acres which might possibly be using water by the year 2010, instead of using the "ultimate" CBIAC figures used by Mr. Riter.

The examiner of the Federal Power Commission, on the basis of the representations in hundreds of pages of testimony on this problem in connection with the Idaho Power Commission license application, found:

> With ample allowance for all foreseeable upstream irrigation water uses, a dependable water supply can reasonably be expected for the efficient and economic operation of the

high dam project during its payout period (finding No. 116).

This finding was affirmed by the Commission itself in its opinion:

> Although some effect upon streamflow will result from the addition of new irrigable lands in the basin, the record clearly shows that such an effect would not be significant insofar as the power potentialities of the Hells Canyon reach of the Snake River are concerned (Opinion and Order, p. 14).

Appendix B provides the annual streamflow figures for the Snake River from 1911 to 1954 and indicates the relatively small effect produced by bringing under irrigation upstream the approximately 1,400,000 acres added during this period.

B. The Protection Provided by S. 1333

Section 1 of this bill provides:

> The Secretary in prosecuting his activities under this section and in operating and maintaining said projects shall, except as is otherwise provided in this Act, be governed by the Federal reclamation laws (Act of June 17, 1902, 32 Stat. 388, and Acts amendatory thereof or supplementary thereto).

As stated by former Regional Counsel of the Bureau of Reclamation Howard R. Stinson in his statement prepared at the request of the committee and printed at page 10 of the hearings, this provision would adequately protect any water right established under State law prior to authorization of this project. The committee recognized that such protection would be inadequate with regard to similar rights acquired in the future, and therefore gave very careful consideration to section 2 of the bill, which it amended to read as follows:

> Sec. 2. Notwithstanding the provisions of any other law, the operation of the Hells Canyon Dam shall be only such as does not conflict with present and future rights to the use of water for irrigation or other beneficial consumptive uses, whether now or hereafter existing, valid under State law, of the waters of the Snake River and its tributaries upstream from the dam and downstream.

As stated in the memorandum by Mr. Frank B. Horne of the American Law Section of the Library of Congress Legislative Reference Service at page 31 of the printed hearings, only a constitutional amendment can control the actions of future Congresses. However, the committee finds that the provisions of section 2 provide protection as complete and effective to both existing and future water rights valid under State law from any infringement by this project as it is within the power of Congress to give. No more effective amendment could be proposed.

The protection provided by the language of section 2 as amended is the most comprehensive proposed by any legislative or administrative provision within the knowledge of the committee. It is more extensive, for example, than that proposed by Assistant Secretary Aandahl of the Department of the Interior by letter of January 31, 1956, to the Federal Power Commission with respect to the proposed private power developments at Mountain Sheep and Pleasant Valley. Also, it is more complete and unqualified than that proposed in the

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1950 bill for the development of Hells Canyon, S. 3556, 81st Congress, 2d session, sponsored by the senior Senator from Idaho [Mr. Dworshak] as follows:

> The operation of Hells Canyon Dam and Reservoir for the generation of power shall be without prejudice to future depletion of stream flows arising from upstream diversions for beneficial consumptive uses under water rights established under State laws in a total amount which are determined to be reasonable, having regard for the upstream beneficial consumptive use of water for the new and supplemental land developments indicated in chapter IV of the Substantiating Materials, Hells Canyon Project Report, approved by the Acting Secretary of the Interior June 9, 1948.

C. Columbia Interstate Compact Proposal

An interstate compact has been proposed for adoption by the seven States comprising the Columbia River Basin. Because of strong opposition to the way in which it would allocate power among the member States, this compact has encountered strong opposition in the legislatures of Oregon and Washington, which refused to take any action on it during their 1955 sessions.

It should be noted that the compact makes no allocation of water between the States joining in it; it merely provides for such an allocation to be made by the Commission as of January 1, 2000, which date may be extended to not later than the year 2050.

Article VII–D of the proposed compact states:

> This compact shall become effective only if Federal law accepting and implementing the provisions of subdivision A of this article with respect to developments wholly or partly in downstream States constructed by or under the authority of the United States is enacted as part of the legislation giving the consent of the Congress to this compact and shall continue to be operative only while such law remains in effect.

This provision is a clear acceptance and admission by the drafters of the compact of the fact that the initial and continued effectiveness of the compact is dependent upon the will of the Congress.

Even in the absence of such a provision in the compact, Supreme Court decisions leave no room for doubt concerning the fact that any interstate compact may be modified by inconsistent Federal legislation within the field of a delegated power. This principle has been accepted for over a century and a half (*Wilson* v. *Mason* (1801), 1 Cr. 45, 91–92). In another case which has stood unchallenged for 100 years, the Supreme Court said:

> It is also urged that this act of Congress is void, for the reason that it is inconsistent with the compact between the States of Virginia and Kentucky, at the time of the admission of the latter into the Union * * * which compact was assented to by Congress at the time of the admission of the State.
>
> * * * * * * *

> The question here is, whether or not the compact can operate as a restriction upon the power of Congress under the Constitution to regulate commerce among the several States? Clearly not. Otherwise Congress and two States would possess the power to modify and alter the Constitution itself.
>
> This is so plain that it is unnecessary to pursue the argument further (*Pennsylvania* v. *Wheeling & Belmont Bridge Co.*, 18 Howard 421, 344 (1856)).

The committee therefore concludes that section 2 of S. 1333 as amended provides protection to existing and future water rights under State law fully as effective as could be provided by the proposed Columbia River Basin compact.

D. Compliance With O'Mahoney-Millikin Amendment

During consideration of S. 1333 by the committee, questions were raised as to compliance with the O'Mahoney-Millikin amendment to the Flood Control Act of 1944 (58 Stat. 887). This amendment requires—

> the Secretary of the Interior in making investigations of and reports on works for irrigation and purposes incidental thereto shall, in relation to an affected State or States * * *

shall transmit a copy of his proposed report to each affected State and in case the plans or proposals covered by the report are concerned with the use or control of water which rise in whole or in part west of the 97th meridian. The amendment further provides that—

> the submission of views and recommendations made by an affected State * * * sets forth objections to the plans or proposals set forth by the Secretary of the Interior, the proposed works shall not be deemed authorized except upon approval by an act of Congress.

In pursuance to this congressional directive, in 1949 the then Secretary of the Interior ordered reports on investigations of the Hells Canyon project submitted to the affected States for comment.

Responses and comments of the authorized officials, including the Governors of the affected States, responded and their comments appear on pages 95–110 of the hearings before the Subcommittee on Irrigation and Reclamation of the Committee on Interior and Insular Affairs, House of Representatives, 82d Congress, 2d session, on H. R. 5743, serial No. 20.

Of particular concern in view of subsequent developments is the following letter, dated June 6, 1949, from the Honorable Douglas McKay, Governor of Oregon:

> State of Oregon,
> Executive Department,
> *Salem, June 6, 1949.*
>
> Mr. Michael W. Strauss,
> *Commissioner, Bureau of Reclamation,*
> *Washington, D. C.*
>
> Dear Mr. Strauss: With further reference to your letter of May 11 concerning the modified comprehensive report for the Columbia Basin,

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I am enclosing the comment of Mr. Charles E. Stricklin, State engineer, who has reviewed the proposed report of your Bureau.

I have examined Mr. Stricklin's statement and I concur in his conclusions and in his recommendation that the report as amended be submitted to Congress.

Very truly yours,

DOUGLAS MCKAY, *Governor.*

Two pertinent paragraphs of the letter of Mr. Stricklin, referred to by the then Governor McKay appearing on page 103 of the House hearings, are as follows:

> It appears that the agreement between the Department of the Interior and the Department of Army on principals and responsibilities for the comprehensive plan of development for the Columbia River Basin, has removed practically all of the controversial matters included in the Department of the Interior 1947 report and coordinates the work of these Departments.
>
> In the report of the Bureau of Reclamation as well as the report of the Engineers Corps on the Hells Canyon project, consideration has been given to upstream consumptive use for irrigation and other beneficial uses, and it is recommended that the act authorizing this project provides that the use of water at this project shall not conflict with any beneficial consumptive use, present or future, for domestic, municipal, stock water, irrigation, mining, and industrial purposes.
>
> It is recommended that the report, as amended, be submitted to Congress.

In the light of these documents and the record, the committee finds that the provisions of the O'Mahoney-Millikin amendment to the Flood Control Act of 1944 with respect to submission of reports on proposed projects to affected States have been fully complied with. The committee notes that less than 4 years after concurring in the conclusions of the State engineer of Oregon and recommending that the report of the Department of the Interior as amended be submitted to Congress, Mr. McKay, as Secretary of the Interior, executed a complete reversal of his position.

In this reversal Secretary McKay withdrew the opposition of the Department of the Interior to issuance of a license by the Federal Power Commission for private development of hydroelectric power in the Hells Canyon reach of the Snake River. The committee has failed to receive a clear-cut basis for the reversal of the position of a Governor of an affected State once he had become the head of a department of the Government charged with responsibility for the protection and development of national resources such as the Hells Canyon development.

VII. CONCLUSION

The flood of June 1956, on the Columbia River was the third greatest of record, and but for the fortuitous circumstance of weather conditions, could have been by far the most destructive. As a result of the "no new starts" policy of this administration in 1953 and 1954, the Northwest faces the threat of a serious and economically crippling power shortage commencing in 1960. Some progress has been made

toward full development by virtue of this Congress' addition to the budget of funds to commence construction of Ice Harbor Dam in fiscal 1956 and to complete planning for John Day Dam in 1957.

But no major storage project proposed by the comprehensive plan has been authorized or commenced since 1950. With the authorization of this great Hells Canyon project, the program will gain new impetus and new momentum, and the integrity of the carefully developed comprehensive plan will be preserved. Without it, decades of exhaustive studies by many agencies will be spurned and wasted.

The fate of this bill will show which way the Congress intends to turn from this crossroads—along the road laid out by Theodore Roosevelt and his associates which leads to full utilization of our resources in the public interest or down the way of abrogation of this basic American principle.

Nearly every week we read of the tremendous hydroelectric projects now being proposed and developed in other countries of the world. The Soviet Union recently boasted with pride of its three great new projects which are under construction at Stalingrad, at Kaibyshev on the Volga River and at Bratsk on the Angara in eastern Siberia, each of which will have a greater installed capacity than Grand Coulee Dam. There is no underdevelopment in Russia.

Much has been heard of the fabulous Aswan High Dam on the Nile, which promises to be one of the greatest multipurpose developments in the history of the world. And only last week the World Bank, in announcing its largest loan for a single project, the Kariba Gorge project on the Zambesi River in Africa, pointed out that it served to illustrate a worldwide trend toward "the big projects."

With the whole world following the lead of the United States in river valley development, the Nation must harvest the fruits of its own experience without taking a backward step which would be inconsistent with our pride in our technical know-how.

The committee in summary concludes that the weight of the expert testimony, plus the congressional policy of more than half a century, fully justifies its recommendation that S. 1333 be enacted into law. The weight of the expert testimony of specialists of the Department of the Interior overwhelmingly supports this conclusion. The engineers of the Bureau of Reclamation; upon whom the committee relies, are the same experts who developed the basic data on which the Congress acted in enacting Public Law 485, the upper Colorado River storage project. The findings of the Reclamation experts are of equal value with those of other specialists of the Department of the Interior on power, finances, and hydrology.

VIII. EXECUTIVE COMMUNICATIONS

Executive communications relating to S. 1333 are as follows:

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D. C., May 2, 1955.

Hon. JAMES E. MURRAY,
Chairman, Committee on Interior and Insular Affairs,
United States Senate, Washington, D. C.

MY DEAR SENATOR MURRAY: This is in response to your request for an expression of the views of this Department on S. 1333, a bill

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to authorize the construction, operation, and maintenance of the Hells Canyon Dam on the Snake River between Idaho and Oregon, and for related purposes.

Briefly stated, S. 1333 would authorize the construction of a high dam and associated powerplant in the Hells Canyon reach of the Snake River along the boundary between Idaho and Oregon, and would also authorize the construction of certain smaller hydroelectric facilities at Scriver Creek in west central Idaho. In addition, S. 1333 would provide a framework for using power revenues from these works as a means for returning part of the costs of future irrigation developments in the central and upper Snake River Basin, if and when such developments were authorized by the Congress. The bill, however, does not itself authorize construction of any irrigation developments.

Bills for the same purposes as S. 1333 were introduced in the House of Representatives and the Senate during the 82d and 83d Congresses. No action on any of these bills was taken by the Congress. A comparison of S. 1333 with S. 1664, 83d Congress, reveals these principal differences between the two:

(1) S. 1333 provides that "The Operation of the Hells Canyon Dam shall be only such as does not conflict with present and future rights to the use of water for irrigation or other beneficial consumptive purposes, whether now or hereafter existing, valid under State law, of the upstream waters of the Snake River and its tributaries." Under S. 1664, there would have been a blanket priority in favor of future upstream depletions of water for irrigation and other beneficial consumptive uses, as well as for existing depletions, pending a Columbia Basin interstate compact; thereafter the operation of Hells Canyon would have been in accordance with any apportionments of water made by that compact. The priority provision in its present form would not remove any of the existing uncertainty concerning the extent to which future upstream depletions might affect the power output of the Hells Canyon Dam.

(2) S. 1333 would permanently reserve 500,000 kilowatts of power for sale to power-marketing agencies serving consumers in the Snake River Basin above the mouth of the Clearwater River and in all parts of the State of Idaho, whether or not within that basin. The bill provides that the power shall be marketed in accordance with the Bonneville Project Act of 1937, as amended. S. 1664 made a similar reservation of power, but provided for marketing in accordance with the Federal reclamation laws and section 5 of the Flood Control Act of 1944.

(3) S. 1664 would have required the Secretary of the Interior immediately following the termination of the national emergency, but in no event later than during the 84th Congress, to transmit to the Congress his recommendations relative to the authorization, as a part of a Snake River project, of facilities for the irrigation of some 192,000 acres of irrigable land in the vicinity of Mountain Home, Idaho. S. 1333 provides for such a report to be made during the 85th Congress.

(4) S. 1333 provides for the furnishing from McNary Dam of the power needed for construction of the Hells Canyon project. S. 1664 contained no such provision.

The construction of the facilities covered by the immediate authorizations contained in S. 1333 would involve the expenditure of considerable sums of money. We estimated last year that the cost of the Hells Canyon Dam and powerplant would be almost $357 million. The cost of the transmission facilities that would be necessary to interconnect the powerplant with the basic grid of the Columbia Basin power system and to provide for the marketing of the power output could come to around $144 million. The Scriver Creek power facilities would come to another $50 million.

In order for the full benefits to be realized from the storage capacity which a high dam at Hells Canyon would provide, additional turbines and generators, estimated to cost over $58 million, would have to be installed at nine of the dams now authorized for construction on the Columbia River and the lower Snake River. Of these 9 dams, only 3 (McNary, Chief Joseph, and the Dalles) are under construction. McNary is nearly finished, but Chief Joseph is only partially completed, and the Dalles is in the early stages of construction. The total cost of the 2 latter, exclusive of transmission lines, has been estimated at over $541 million. The six remaining authorized dams (John Day, Priest Rapids, Ice Harbor, Lower Monumental, Little Goose, and Lower Granite) have not as yet reached the construction stage. These 6 dams have an estimated cost of over $1,211,000,000, exclusive of transmission lines.

While all of these cost estimates are necessarily subject to revision in the light of actual conditions at the time of construction, it is evident that the Federal Government already has an authorized program on the Columbia and lower Snake Rivers that would probably require more than $1½ billion to complete, entirely aside from the cost of Hells Canyon. When there is added to this, still without considering Hells Canyon, the cost of other projects now underway or authorized in the other portions of the Columbia River Basin (such as Palisades and Lookout Point) it is even more apparent that the Federal Government is presently committed to a program of comprehensive development of the water and related land resources of the Pacific Northwest that will necessitate very large expenditures. Yet the fact is that even this program, big as it is, will not do the entire job.

We are firmly convinced that where a non-Federal proposal can provide results which, in terms of comprehensive development, are reasonably comparable with those anticipated from a Federal project, the people of the region should be encouraged to utilize, in every proper way, the available capacities of public or private organizations for doing the job on a non-Federal basis under conditions fully protecting the public interest. By such a course of action, soundly conceived and vigorously pursued, the realization of the benefits of regional development will be speeded up, and, at the same time, the ability of the Nation as a whole to accomplish the ultimate goal will be enhanced. This is because the Federal Government will thereby be enabled to devote more of its available energies and expenditures toward the realization of elements in the total plan that are clearly beyond the practical capabilities of the States and other non-Federal organizations.

The Federal Power Commission now has under consideration the matter of an application for a license to develop this stretch of the

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Snake River by a private corporation. It is within the statutory authority and responsibility of that Commission to determine whether or not the plan proposed is adapted to the development, conservation, and utilization in the public interest of the water resources of the region, and whether or not the same is compatible with the overall development of these resources. Extended hearings with relation to this matter have been held and the Commission's examiner has the matter under advisement. This Department has made available to the Federal Power Commission all of the information, reports, memorandums, and testimony of engineers and other witnesses that have been requested by the Commission.

It is pertinent to observe that S. 1333 would not, in and of itself, authorize the construction of any irrigation works for the Mountain Home area or any other area. It is also pertinent to observe that the Hells Canyon Dam contemplated by S. 1333 would not deliver water to, or otherwise serve as a physical part of, the proposed Mountain Home development or any other irrigation development.

As a step in bringing out all the facts relating to the irrigation potentials of the Mountain Home area, such as possible alternate means of providing water, selection of lands for initial development, costs, benefits, sources of financial assistance, and all other facets of the problem, the Department is making the necessary investigations, within the limits of available funds, and plans to report thereon to the President and the Congress as soon as practicable.

It follows from the above that the Department of the Interior recommends that S. 1333 be not enacted. We propose, however, to continue to study and report on Mountain Home irrigation along the lines above expressed.

Hearings on S. 1333 have, I am advised, been scheduled to begin May 2. In view of this, the present report is being submitted to your committee prior to its clearance through the Bureau of the Budget. A copy is also being submitted to that Bureau with a request that we be advised concerning the relation of S. 1333 to the program of the President. Upon receipt of that advice, we expect to communicate with you further.

Sincerely yours,

DOUGLAS MCKAY,
Secretary of the Interior.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., April 18, 1955.

Hon. JAMES E. MURRAY,
Chairman, Committee on Interior and Insular Affairs,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: This is in reply to your letter of April 5, 1955, requesting the views of this Bureau with respect to S. 1333, a bill to authorize the construction, operation, and maintenance of the Hells Canyon Dam on the Snake River between Idaho and Oregon, and for related purposes.

The bill would authorize and direct the Department of the Interior, under the supervision and direction of the Secretary of the Interior

to construct the Hells Canyon Dam described in volume 2 of House Document 473, 81st Congress, as modified by the Commissioner of Reclamation, and approved by the Secretary on May 11, 1951, and the Scriver Creek power facilities of the Payette unit of the Mountain Home division described in the report of the Commissioner of Reclamation, approved by the Secretary on May 11, 1951. The bill also includes provision for the application, in accordance with provisions of the Federal Reclamation laws, of project revenues to the return of reimbursable costs of other Federal reclamation developments in the central and upper Snake River Basin that may be later authorized specifically by act of Congress as works or divisions of the Snake River project.

The Federal Power Commission now has under consideration applications from a private corporation for license to construct several hydroelectric projects in the same reach of the Snake River as proposed for development by the Government under the bill S. 1333.

The administration's position on this project is set forth in the President's letter to you of February 4, 1955, copy of which is attached.

Accordingly, the Bureau of the Budget recommends that any action by the committee be deferred until the Federal Power Commission has acted upon the license applications now under consideration.

Sincerely yours,

DONALD R. BELCHER,
Assistant Director.

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APPENDIX

Appendix A

Status of main control plant projects, current C–2 phase

Project	River	Authorization	Start of construction	First generation
Bonneville	Columbia	Rivers and Harbors Act of 1935	1934	1936
Grand Coulee	do	do	1934	1941
Hungry Horse	South Fork, Flathead.	Hungry Horse Dam Act (1944)	1945	1952
McNary	Columbia	Rivers and Harbors Act of 1945	1947	1953
Ice Harbor	Snake	do	1955	(1)
Lower Monumental	do	do		
Little Goose	do	do		
Lower Granite	do	do		
Chief Joseph (Foster Creek)	Columbia	Rivers and Harbors Act of 1946	1949	1955 [1]
Albeni Falls	Pend Oreille	Flood Control Act of 1950	1951	1955
Libby	Kootenai	do		
Priest Rapids [2]	Columbia	do		
John Day	do	do		
The Dalles	do	do	1952	(1)
Hells Canyon	Snake	Not yet authorized		

[1] Under construction.
[2] Deauthorized by Public Law 544, 83d Cong., 2d sess. for a period of 2 years to permit and attempt at development by local groups.

Appendix B

Annual runoff of Snake River, 1911–23 at Weiser; 1924–54 at Oxbow

Year ending Sept. 30—	Runoff (acre-feet)	Year ending Sept. 30—Con.	Runoff (acre-feet)
1911	16,000,000	1933	10,500,000
1912	16,800,000	1934	8,197,000
1913	16,200,000	1935	8,512,000
1914	16,200,000	1936	11,750,000
1915	10,400,000	1937	9,058,000
1916	17,100,000	1938	15,510,000
1917	18,000,000	1939	10,670,000
1918	14,600,000	1940	10,980,000
1919	12,200,000	1941	11,010,000
1920	10,700,000	1942	13,160,000
1921	18,300,000	1943	19,750,000
1922	15,500,000	1944	11,270,000
1923	12,800,000	1945	12,420,000
1924	9,420,000	1946	15,950,000
1925	15,000,000	1947	13,190,000
1926	10,300,000	1948	13,450,000
1927	15,500,000	1949	12,900,000
1928	17,200,000	1950	14,100,000
1929	11,400,000	1951	16,490,000
1930	9,790,000	1952	20,430,000
1931	8,080,000	1953	13,860,000
1932	11,900,000	1954	12,180,000

NOTES

Average annual runoff at Oxbow station, 1924 to 1951, inclusive, 12,700,000 acre-feet.
Average annual inflow between Weiser and Oxbow stations, 1924 to 1952, inclusive, about 500,000 acre-feet.
Statistics supplied by United States Geological Survey.
Active storage capacity of Hells Canyon, 3,880,000 acre-feet.

APPENDIX C

ESTIMATES OF POWER PRODUCTION

Power benefits of Hells Canyon Dam depend considerably upon the time schedule of construction of other projects in the main control plan and the later phases of the comprehensive plan. Power benefits have been estimated by the Bureau of Reclamation and the Bonneville Power Administration, the two agencies directly concerned with operation of the proposed project and sale of the power, as the additional power in the Federal Columbia River system resulting from adding Hells Canyon Dam. These estimates and the assumptions are as follows:

[1,000 kilowatts]

Assumption	Added by Hells Canyon Dam to system	
	Prime power	Salable firm power
BONNEVILLE POWER ADMINISTRATION		
1. Addition to 12 projects under construction and existing, not including Ice Harbor [1]	895	1,165
2. Addition to phase C–2 system, 14 major projects and 19 minor projects, existing, under construction, and authorized, with 4,250,000 acre-feet of usable storage at Libby project	1,122	1,461
3. Addition to phase C–2 system, as above, but with 6,483,000 acre-feet of usable storage at Libby project	961	1,251
BUREAU OF RECLAMATION		
4. 8-month critical period (1936–37). Addition to projects under construction and existing	839	----------
Addition to existing and authorized system	1,108	----------
5. 31-month critical period (1928–32). Addition to existing and authorized system	911	----------
6. 42-month critical period (1928–32). Addition to existing, authorized, and potential system	679	----------

[1] Ice Harbor Dam was commenced after this data was provided.

For immediate practical purposes power contracts and marketing at present would be based on the Bonneville estimates using the 12 projects under construction and existing. Bonneville would sell about 1,165,000 kilowatts of firm power attributable to Hells Canyon Dam. In the event remaining authorized projects were placed under construction also, salable firm power credited to Hells Canyon Dam would amount to between 1,165,000 and 1,461,000 kilowatts.

APPENDIX D

THE OVERWHELMING SUPERIORITY OF THE HIGH HELLS CANYON DAM

The high Hells Canyon project proposed to be authorized by S. 1333 is so far superior in every respect to the private three-dam development proposed by the Idaho Power Co., that there is agreement on this point by disinterested experts. Even the Federal Power Commission, which approved the license for the three private dams—one of which may never be built under the terms of the license—recognized that the high Hells Canyon Dam would produce more power, more flood control, navigation, recreation, and potential irrigation

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benefits than could be credited to the private proposal. To justify its approval of the license, it was forced to rely on nonfundamental aspects of the controversy.

Inasmuch as the Commission's opinion does not reveal the quantitative estimates on which it based its evaluation of the high dam and 3-dam projects before it, figures on the 3-dam plan for the following comparison have been drawn from the examiner's decision. Except for the cost figures, for which the examiner relied primarily on the FPC staff, the data represent averages of what the examiner considered to be the more reliable estimates, including those of the Bureau of Reclamation, Bonneville Power Administration, and FPC staff.

Comparison of high Hells Canyon Dam with Idaho Power Co. Dam plan

	Hells Canyon	3 dams	Oxbow and Brownlee only [1]
Height of dam (feet)	722	205, 395, 320	
Size of reservoir (acre-feet of usable capacity).	3,880,000	1,000,000	1,000,000
Power output (prime kilowatts)	1,122,000	505,000	325,000
Construction cost	$308,472,000	$175,766,000	$119,052,000
Annual cost of power at market	$28,567,000	$27,921,000	
Cost of power at market (mills per kilowatt-hour).	2.65	6.69	
Other benefits (annual):			
Flood control	$2,300,000	$1,000,000	
Navigation	$189,000 to $230,000	$108,000	
Recreation (number of annual visitors).	500,000 to 600,000	250,000 to 325,000	
Benefit-cost ratio	2.37 to 1	(2)	
Irrigation (availability of power revenues to subsidize).	Yes	No	

[1] Although the FPC license is for 3 projects, it provides no assurance that more than 2 will ever be constructed. At p. 20 of the Opinion and Order Issuing License the Commission stated:
"If a sufficient load does not develop to justify construction of low Hells Canyon within the time limits imposed in the license, the Commission may either extend the time for construction or terminate the license for that project, whichever is in the public interest at the time the matter is under consideration."

[2] Examiner's figure, 0.91 to 1; Commission's figures, 1.29 to 1. (Annual value of power at market divided by annual cost of power at market.)

Many of the major contributions of the high Hells Canyon Dam cannot be compressed into tabular form. They have been indicated in earlier sections of this report, and will only be briefly listed here:

1. The high dam is an essential element of the main control plan, making full use of the resource potential of the middle stretch of the Snake. The three dams are inconsistent with the main control plan and would not make full use of the resource.

2. Storage releases from the high dam would add 436,000 prime kilowatts to the eight Federal down-river dams in operation, under construction, and authorized. The Idaho Power Brownlee storage project, in contrast, provides no such downstream increase in power output.

3. The high dam would substantially aid the storage projects in the main control plan to supply the full measure of storage estimated to be required to control the most disastrous flood of record, that of 1894. In fact, the high Hells Canyon Dam storage would provide a margin of control beyond that needed from this reach of Snake River for the 1894 flood, and worse floods are possible. The three-dam plan would provide not even half the amount of control required for the 1894 flood, and only one-quarter the amount of control furnished by the high dam.

4. The downstream benefits conferred by the high dam are essential to the feasibility of the slackwater navigation route on the lower Snake, from Ice Harbor to Lewiston. The three-dam plan would not provide these benefits.

5. The large high dam and its long reservoir would create an unequaled tourist attraction and a sportsman's paradise. The three-dam plan would provide no such benefits.

6. The Government would preserve and improve fish and wildlife in connection with its construction of the high dam. According to the July 3, 1953, protest of the Oregon Fish Commission filed with the FPC, the company projects would not.

7. Power from the high dam would be available all over the Pacific Northwest, with a special 500,000 firm kilowatt reservation for eastern Oregon and the State of Idaho, where low-cost power is not now available. The three-dam plan would make much less power available only within the Idaho Power Co. service area and at much higher cost.

8. Power from the high dam would at last permit full-scale development of the vast phosphate rock deposits of the eastern Idaho-Utah area, to be manufactured into low-cost phosphate fertilizer required by Western and Midwestern farmers. The three-dam plan would not permit much expansion of the present limited operation.

9. Power from the high dam, because of its low cost, would stimulate growth of electroprocess and other industries in the Pacific Northwest, with the resulting spurt economic in activity and employment. The three-dam plan would not.

10. Power from the high dam, would serve to stimulate mineral production from low-grade deposits in the Pacific Northwest, some of which are of strategic importance to national security. Power from the three dams would not.

11. Power revenues from the high Hells Canyon Dam could—if so authorized—serve to expand irrigation in the central and upper Snake Basin. Power revenues from the three dams would not be available for such a purpose.

12. Power from the high dam would create 35,000 jobs in manufacturing, another 35,000 jobs in service industries and create new industries producing $700 million in manufactured products annually in the Pacific Northwest. The three dams would stimulate little if any such additional employment, but would merely provide for Idaho Power Co.'s normal load growth for 20 years, a result which could be provided by any reasonably priced power source.

13. Power from the high dam would lead to an addition of $45 million in annual Federal income and corporation taxes; $3 million annually in local property taxes. The three-dam plan would pay Federal and local taxes of $9 million, if the accelerated tax amortization certificate applied for by Idaho Power Co. were refused.

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APPENDIX E

FPC EXAMINER'S COMPARATIVE FIGURES FOR THE HIGH DAM AND THE THREE-DAM PLAN

Although the committee does not accept the Federal Power Commission examiner's findings in preference to those of the technical experts of the Department of the Interior, it believes a summary of them is relevant to indicate the strange twisting of words involved in the statutory finding by the examiner and the Commission itself that the three-dam plan was "best adapted to a comprehensive plan" as required by section 10 (a) of the Federal Power Act.

The only figure which has been changed in this comparison from those of the examiner is the figure for the cost of the high dam. The examiner accepted without question the 1952 estimate of cost provided by Mr. Cecil Hoisington, Chief of the Estimates and Analyses Branch, Construction Division, Bureau of Reclamation. The committee has similarly accepted Mr. Hoisington's later figure provided during the hearings on May 2, 1955.

The examiner's findings stand unchallenged by the later opinion and order issuing license of the Commission itself.

Item	High Hells Canyon Dam	Idaho Power Co., 3 dams [1]
1. Power output (prime kilowatt).	924,000	505,000.
2. Power costs (per kilowatt-hour).	2.7 mills	6.69 mills.
3. Active storage (acre-feet)	3,880,000	1,000,000.
4. Flood control benefits (annual).	$2,300,000	$1,000,000.
5. Navigation benefits (annual)	$189,000	$108,000.
6. Recreation benefits (number annual visitors).	500,000–650,000	250,000–325,000.
7. Power revenues for aid to future reclamation.	Yes	No.
8. Availability of power to entire region.	Yes	No.
9. Development of phosphate fertilizer.	"The high dam project by providing power at low rates, might be expected to stimulate large-scale development of the phosphate resources and large-scale expansion of fertilizer production (examiner's finding No. 159).	"The 3-dam plan would stimulate less phosphate development and less fertilizer production than the high dam project" (examiner's finding No. 160).
10. Development of electroprocess industries.	"The high dam project, because of its high volume and low cost power output, might be expected to stimulate the expansion of electroprocess industries to a greater extent than the 3-dam plan, including those which would utilize regional mineral resources" (examiner's finding No. 162).	(See examiner's finding No. 162 opposite.)
11. Cost of project (less transmission lines).	$308,472,000	$175,766,000.
12. The Better Investment	FPC examiner said: "the facts seem to point to the inescapable conclusion that with the marked and substantial advantage of the Government's credit the high dam would be dollar-for-dollar the better investment and the more nearly ideal development of the middle Snake."	
13. Benefit-to-cost ratio	1.83 to 1	0.91 to 1 (dividing the examiner's figures on annual value of power at market by the annual cost of power at market. This shows the 3-dam plan to be economically unfeasible.)

[1] In fact, the FPC and company have indicated that the third dam may never be built even if the FPC decision is not reversed.

APPENDIX F

EXCERPTED FINDINGS OF THE FEDERAL POWER COMMISSION EXAMINER

(The following selections relating to the high dam from the findings of the examiner of the Federal Power Commissioner are included here for the factual information they provide in concise form, without any intention of indicating approval of them by the committee. The findings of the full Commission decision provide almost no information concerning the high dam and are not excerpted here.)

(60) The Columbia River Basin is an interstate, international basin, and the Snake River is the largest tributary of the Columbia River.

(61) The comprehensive plan for development of the Columbia River and its tributaries for flood control, navigation, power production, irrigation, recreation, and other purposes is embodied in the "308 Review Report" of the Corps of Engineers, Department of the Army (H. Doc. 531, 81st Cong., 2d sess.) and the 1947 Columbia River Basin Report of the Department of the Interior (H. Doc. 473, 81st Cong., 2d sess.). These reports were brought into accord by the April 11, 1949, agreement between the Secretaries of the Army and Interior (H. Doc. 473, vol. 2, pref., pp. 23–32) and the aforementioned reports were officially noticed for the purpose of this proceeding.

(62) If the comprehensive plan were carried out to its fullest extent, it would develop approximately 125 million acre-feet of storage for flood control and river regulation, about 32 million kilowatts of firm power, some 500 miles of uninterrupted inland navigation, a total of about 8 million acres of irrigated land. Fishery resources would be protected; mineral and other resources development would be forwarded. However, no detailed analysis for economic determination of the ultimate plan has been made. The plan has heretofore been characterized by this Commission as "a desirable and coordinated basic framework for the comprehensive development and utilization of the water resources of the Columbia River."

(63) The review report of the Army engineers summarized studies of the present and anticipated future needs of all the various parts of the basin for flood control, power, irrigation, recreation and other water-use purposes, and embodied consideration of relative needs of various parts of the basin, desires of local and State interests, and the importance of various water-use functions. It recommended a plan of development which was coordinated to meet the needs of the basin, to the extent economically justifiable, for a number of years to come as regards flood control, power, navigation, and irrigation, and indicated in more general terms, how further needs might be fulfilled at a later date, consistent with present development.

(64) The core of the comprehensive plan is the so-called main control plan.

(65) The main control plan consists of a series of large, multiple-purpose reservoir projects to be operated as a coordinated system which, in conjunction with lower Columbia River levees, will control main-river floods, improve inland navigation, and furnish a large part of the power requirements of the region. Power considerations were the most important in the economics of project selection.

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(66) The main control plan includes the Hells Canyon project, which is called the High Dam project for purposes of this proceeding.

(67) More than $1 billion of Federal funds have been invested in projects of the main control plan existing or under construction.

(68) The existing projects of the main-control plan, together with the regional northwest transmission grid, constitute an electrically and hydraulically integrated Federal power system.

(69) The main-control plan is designed to achieve approximately 27 million acre-feet of storage for flood control, approximately 12 million kilowatts of installed generating capacity, practically the entire 500-mile inland navigation route, and extensive irrigation, recreation, and other public benefits.

(70) Approximately 7 million acre-feet or about one-fourth of the flood-control goal of the main-control plan has been achieved. The projects existing and under construction, as of 1954, will provide about one-half of the power objective of the main-control plan.

(71) Well-placed upstream storage is an essential element of the main-control plan and the comprehensive plan.

(72) The high-dam project was planned as a key upstream storage project in the main-control plan; it would contribute appreciably to the objective of the main-control plan.

(73) The high-dam project is the farthest upstream and the only storage project in a chain of 6 projects in the main-control plan for developing the Columbia-Snake waterway; the 5 downstream plants (John Day and the 4 lower Snake projects) have been authorized by the Congress.

(74) The high dam project power facilities would be interconnected with the regional transmissions grid and integrated with the Federal Columbia River power system. The high dam project or any other storage project in the middle Snake could be so interconnected as to take advantage of the diversity of flow between the Columbia and the Snake, thus making full power use of the water resources.

(75) The high dam project would contribute about 12 percent of the flood control objective still to be realized under the main-control plan.

(76) The high dam project together with the existing and authorized downstream plans on the Columbia and lower Snake would complete—except for channel improvements—the development of the 500-mile inland water transportation route.

(77) The economic feasibility of the authorized but unbuilt plants in the main control plan especially the four lower Snake plants, is dependent upon storage development in the middle Snake.

(78) Irrigation of large acreages in the Snake subbasin is unlikely in the foreseeable future without financial assistance from some source The High Dam project or any other federally built and federally financed development could provide such financial assistance.

(79) The three dam scheme was planned, designed and engineered primarily to meet the present and future power needs of the area applicant is under an obligation to serve.

(80) The three dam scheme, if built, in whole or in part, would occupy the reservoir area of the High Dam project and would preclude its construction, except at prohibitive cost.

(81) Unless construction of new generating facilities in the Pacific Northwest is started soon, the region will be unable to meet its firm

loads by about 1960; the region is already short of low cost power for potential new electroprocess loads.

(82) The High Dam project would contribute substantially to alleviating the regional power shortage and at the same time would meet power needs in the applicant's service area, if such power were made available to the applicant at attractive rates and with some assurance of necessary continuity.

(88) Flood control is a major objective of the main control plan and either the 3.88 million acre-feet of usable storage capacity claimed for the High Dam project by its proponents or the 2.3 million acre-feet effective storage assigned to the High Dam project by the Army engineers would contribute substantially to this objective.

(94) An inland navigation route of about 500 miles from the mouth of the Columbia to Line Point, Idaho, is a major objective of this main control plan.

(95) As an integral part of the main control plan, the High Dam project would contribute to this objective by providing water releases essential to power generation and, hence, affect the economic feasibility of authorized downstream projects (John Day and the four lower Snake dams) whose pools would form parts of the proposed slackwater route on the Columbia and lower Snake River. Storage on the Clearwater, and other storage in the middle Snake plus Brownlee is just as effective as the High Dam project in producing downstream benefits at those projects.

(96) The high dam project would also provide releases to help maintain minimum flows of 13,000 cubic feet per second at Lime Point for open-river barge navigation between Lewiston and Lime Point, a distance of about 30 miles.

(97) The high dam project would also provide releases to reduce the need for channel dredging for deep-draft navigation on the lower Columbia below Bonneville.

(98) The reservoir pool of the high dam project which would extend about 93 miles through the canyon, would afford access and low-cost transportation for the development of now relatively inaccessible mineral resources in the canyon area.

(99) Applicant's proposed Brownlee pool would be about 39 miles shorter than the high dam pool, and (if subject to wider and more frequent fluctuations) would be a less effective transportation medium insofar as navigation on the pool is concerned and would contribute little to the development of mineral resources in the canyon.

(100) The Corps of Engineers has heretofore estimated annual navigation benefits of the high dam pool at $75,000.

(110) The high dam project could develop the unique recreational potential of the Hells Canyon reach of the Snake River into an outstanding national recreation area.

(111) The cost of construction for the recreation facilities which have been proposed in conjunction with the high dam project has been estimated by the National Park Service as being approximately $1 million.

(113) The National Park Service estimates that the high dam project with its access roads, facilities, and structures, would attract from 500,000 to 650,000 visitors a year, while applicant's developments would attract about half as many.

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(116) With ample allowance for all foreseeable upstream irrigation water uses, a dependable water supply can reasonably be expected for the efficient and economic operation of the high dam project during its payout period.

(117) As a fully integrated part of the existing Federal northwest power system, the high dam project would be operated to produce maximum system prime power and salable firm power.

(121) Under an arithmetical average of the results obtained by several expert witnesses who used an incremental method, the high dam project would contribute approximately 924 megawatts of prime power to the Federal system or about 1,200 megawatts of salable firm mates in the record, the average prime power contribution of the high dam project.

(122) Under the averaging method, according to the range of estimates in the record, the average prime power contribution of the high dam project would be 911 megawatts over the 50-year payout period.

(124) Sensible comparisons of the power contributions of the high dam project integrated with the Federal system and the power contributions of the 3-dam plan coordinated with the Federal system are not possible, since "integration" and "coordination" connote entirely different operations and thus must be expected to produce entirely different results.

(153) If the assumption were made of financing, construction, and operation of either the high dam or the 3-dam plan by the Federal Government, the high dam project in the 1-dam plan would make possible the production of the maximum amount of economical power and, according to the comparison made by the staff, the value of the power increment which would be provided by the 1-dam plan over the 3-dam plan would be greater than its cost. (Cf. Staff Proposed Finding No. 20.)

(154) A Federal project is economically justified if (1) the project benefits exceed the project costs, (2) each separable segment or purpose provides benefits at least equal to its costs, (3) the scale of development is such as to provide the maximum net benefits, and (4) there is no more economical means of accomplishing the same purpose. This is the doctrine expressed in the report of the subcommittee on benefits and costs on Proposed Practices for Economic Analysis of River Basin Projects. The test of economic feasibility of a project from a private construction standpoint applies to the salable product of such development and the actual revenue which may be reasonably expected from such development, since no revenue is derived by the private developer from nonpower benefits conferred.

(155) The High Dam project apparently would pay out its reimbursable costs with interest within a 50-year period, i. e., amortization of the Federal investment allocated to power, together with costs of operation and maintenance.

(157) About 60 percent of the national phosphate rock deposits are located, largely on Federal lands, in and around southeastern Idaho; there appears to be a growing regional and national need for high concentrate phosphate fertilizer.

(158) Greater utilization of these phosphate resources, of which a large part are furnace grade, might be fostered by an abundant supply of electric power at about the prevailing Federal wholesale rate.

(159) The High Dam project by providing power at low rates, might be expected to stimulate large-scale development of the phosphate resources and large-scale expansion of fertilizer production.

(160) The three-dam plan would stimulate less phosphate development and less fertilizer production than the High Dam project.

(161) Electroprocess industries have contributed much to the increased industrialization of the Pacific Northwest and, apparently, constitute much of the region's future industrial potential.

(162) The High Dam project, because of its high volume and low-cost power output, might be expected to stimulate the expansion of electroprocess industries to a greater extent than the three-dam plan, including those which would utilize regional mineral resources.

(163) The High Dam project, just as any large new source of low-cost power might be expected to do, would help the Snake subbasin by helping to:

(*a*) Industrialize, diversify, and stabilize its still dominantly agricultural economy;

(*b*) Reduce its seasonal unemployment where such unemployment is attributable to lack of industrial labor requirements;

(*c*) Foster individual initiative and private business and industrial enterprise;

(*d*) Increase business and employment opportunities, broaden the tax base, and raise income levels and standards of living.

(164) The High Dam project, just as any large new source of low-cost power might be expected to do, would stimulate throughout the Pacific Northwest:

(*a*) Power-load development;

(*b*) Greater utilization of power in industry, agriculture, commerce, community, and service activities;

(*c*) New business and employment opportunities;

(*d*) Expansion of production and productivity;

(*e*) Development of minerals and other materials important to the regional and national economy, and to national security;

(*f*) Strengthening of the regional and national economy.

(167) If Federal development of the High Dam project were carried out in accordance with provisions of the Bonneville Project Act (50 Stat. 732) it must be assumed that all of the public purposes set forth in that act would be served.

(171) Full economic utilization of the water resources of the Middle Snake for power generation, flood control, navigation, recreation, irrigation, and other purposes is a valid criterion of comprehensive multipurpose water resources development; development of the full head or utilization of the full flow alone for power purposes is not.

(172) No project proposed to supplant an economically feasible project in a comprehensive river-basin plan, if it would provide substantially lesser direct or total benefits than the project to be supplanted, can qualify as being "best adapted to a comprehensive plan for improving a waterway or waterways", assuming both plans are ripe for proceeding, all financing, appropriation, authorization, or license authority or whatever preliminaries of this kind are necessary have been accomplished.

(176) Large power production, flood control, navigation, and recreation benefits, the possibility of financial assistance for irrigation or other public purposes, the utilization of phosphate resources on public

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lands and the stimulation of industries dependent upon low-cost power are public purposes which, in the aggregate, are factors to be taken into consideration in arriving at a judgment as to whether or not a recommendation to Congress of Federal development of these particular water resources should be submitted under section 7 (b).

(177) The likelihood or absence of likelihood of authorization of and appropriation for development by the United States of particular water resources are factors which, with propriety, may be taken into consideration in arriving at a decision as to whether or not to recommend under section 7 (b) development of water resources by the United States itself.

(179) Even asuming that substantial benefits would accrue to the people of the United States by Federal development of the Hells Canyon site on the Snake River, and that such benefits would exceed by a substantial amount those to be conferred by development under private auspices by a licensee, there is no reason to assume that if a recommendation of Federal development were to be made under section 7 (b) by the Commission, that development of these water resources would be undertaken by the United States within a foreseeable time.

(180) It was not contemplated that the Federal Power Commission should make recommendations to Congress under section 7 (b) when, in its judgment, the likelihood of the acceptance of those recommendations would be remote.

PART II

INDIVIDUAL VIEWS ON S. 1333, THE HELLS CANYON PROJECT, IDAHO-OREGON

(Submitted by Senator Richard L. Neuberger)

The Hells Canyon issue, which reaches the floor of the United States Senate with the presentation of this report, has been widely presented in the press as a fight between public and private power. To some extent, this is a misnomer.

Hells Canyon is a showdown to test whether a national administration can carry out a policy of surrendering the Nation's finest hydroelectric dam sites to be wasted in partial development by private utility corporations, while reserving marginal, high-cost projects for development at the expense of the public purse. That is the present administration's policy in the Hells Canyon controversy. The Hells Canyon issue also involves the fate of the most magnificent wilderness left anywhere in our land today—a wilderness which will be forfeit if the Hells Canyon site is lost for full development of its maximum storage potential.

II

Responsible elements of the press, in good faith and on apparently ample evidence, have frequently pointed out that the present administration is opposed to public power. The record does not wholly bear out this view. True, the administration has whenever possible favored private utility corporations against local, regional, or Federal public agencies; but that is not the whole story.

The present administration favors extensive Federal, taxpayer-supported, public power projects—wherever the sites are so doubtful in quality, so low in streamflow, so high in unit cost, so far from adequate transportation and markets, in a word, so uneconomical that no private power company would consider touching them with a 300-mile transmission line. Sites of this sort are proposed by this administration for development by the Federal taxpayers.

Hells Canyon is not such a site; it is quite the opposite. As the committee finds, Hells Canyon is the finest natural water storage and hydroelectric power site remaining in the United States. It is recommended for Federal development as a high storage dam and reservoir in the master plan for the Columbia River Basin, the 308 Report of the Corps of Army Engineers. The chief expert witness of the Bonneville Power Administration testified that addition of Hells Canyon power to present Columbia River power system would result in an average rate of about 2.75 mills per kilowatt-hour. Similarly, the Federal Power Commission's presiding examiner found, in comparing the Federal high dam with the Idaho Power Co.'s lower project, that power from the Federal dam would cost 2.7 mills per kilowatt-hour.

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This compares with 6 to 7 mill power costs at much costlier Federal developments which are backed by the administration and its spokesmen for far smaller rivers elsewhere in the West.

I begin this statement of my individual views with such comments, because I want emphatically to set at rest the myth that the present administration is against expenditure of taxpayers' money for Federal public-power projects. This administration has repeatedly favored costly Federal public-power developments, as justifiable investments of taxpayers' funds, in areas where electricity can be produced only at a cost of from 6 to 9 mills. I do not mean to disapprove all of these projects, which can play an important role in the full development of our country's available resources. But what is to be said of a policy which promotes such projects as public investments, while simultaneously raising the most captious and frivolous objections to justify the giveaway of Hells Canyon, which can generate power for 2½ to 3 mills a kilowatt-hour and help prevent floods, too?

This adds up to a policy of skim milk for the American public, whipped cream for the private utilities.

III

Because the unmatched potential for cheap hydroelectric power development of the Hells Canyon area is coveted by the Idaho Power Co., the administration has acquiesced in the surrender of the 3,880,000 acre-feet of storage of the high Federal dam for the 1 million acre-feet of storage provided by the project of the Idaho Power Co.

This waste of nearly 3 million acre-feet of Hells Canyon's potential water-storage capacity creates great pressure for finding so-called alternate storage elsewhere in the Columbia River Basin, which poses an immediate threat to important conservation values. Thus, perhaps because of a guilty conscience toward the continued flood threats downstream in the Columbia Basin, the administration now asks Congress to authorize the Bruces Eddy project on the North Fork of the Clearwater River. This project will be touted as the "substitute" for Hells Canyon.

Conservationists everywhere in America are adamantly resisting the Bruces Eddy project, because it would choke off migratory steelhead runs, because it would flood out one of the most valuable elk-feeding ranges in the Nation, and because it would thrust a despoiling reservoir into the magnificent Selway-Lochsa-Bitterroot Wilderness, the most majestic realm of upland fastnesses to survive civilization's encroaching onrush.

IV

Few more delicate tasks confront the United States than that of developing natural resources for continuance of national strength and prosperity without impairing some of the wilderness and wildlife values so essential to our well-being.

This task is dramatically symbolized in development of water resources of the Columbia River drainage. This great river has 40 percent of the Nation's hydropower potential, the cheapest industrial fuel in the land. It provides the Nation's only water transportation route to traverse a major mountain range. But it is also the spawning ground for migratory salmon and other fish which constitute the most valuable fresh-water fish run in the Nation. The river sustains a

commercial fishery valued at $10 million annually and provides sports fishing and recreation for thousands of Americans.

The conflict between developing the Columbia for fish and kilowatts has raised this question: Where can power best be generated without destroying fish runs and scarring scenic grandeur? That is the issue raised at Hells Canyon, because if we fail to develop the full potential of this greatest natural storage site on the continent, then pressures will increase to find the power and storage elsewhere at sites which would impair either fishery or scenic values. The blueprint of what is to come if Hells Canyon is relinquished to less than full development, is seen in the statements of governmental agencies that substitute storage and power might be found at Bruces Eddy and Penny Cliffs sites on the Clearwater River; on the Salmon River, which is the heart of the spawning ground; or at Glacier View, which would invade the pristine grandeur of a great national park.

Leaders of the modern conservation movement are alert to these dangers. On February 28, 1956, the Citizens Committee on Natural Resources took a strong position for a complete reappraisal of the Hells Canyon decision of the Federal Power Commission because of the danger to sites in the Northwest where wildlife values are at stake. Dr. Ira N. Gabrielson, the distinguished chairman of the Citizens Committee, formerly Director of the Fish and Wildlife Service for many years, declared:

> We are not concerned with the battle between public versus private-power interests. But it is apparent that reduction in reservoir capacity at the Hells Canyon site is forcing power and water interests to advocate high dams on the Clearwater River, where a disastrous effect on fish and wildlife resources of national importance will needlessly result.
>
> Big dams on either the Clearwater or the Salmon Rivers would wipe out important fish-spawning grounds, inundate many thousands of acres of forest land, and, in addition, destroy critical winter range for some of the country's finest elk and deer herds. It makes little sense to reduce drastically the amount of water storage at Hells Canyon, where no important wildlife or scenic values are at stake, if this means destruction of scenic and wildlife resources that the Nation could otherwise save for the enjoyment of present and future generations.

The Citizens Committee on Natural Resources, which has reached a verdict to try to save Hells Canyon, includes men and women whose names are legendary in the modern history of American conservation—people like Howard Zahniser, of the Wilderness Society; Dewey Anderson, of the Public Affairs Institute; C. R. Gutermuth, of the Wildlife Management Institute; Joseph Penfold and William Voigt, of the Izaak Walton League; Ex-Chief Forester of the United States Lyle F. Watts; Alfred A. Knopf, of the National Park Service Advisory Board; David R. Brower, of the Sierra Club; Gen. U. S. Grant III, and many others. They are citizens who believe the heritage passed on to the future must be fully safeguarded.

Abandonment of Hells Canyon will definitely result in attempts to construct dams which would blockade fish runs, drown out wildlife habitat, and generally ruin and destroy irreplaceable realms of scenic majesty and outdoor enjoyments. Thoughtful custodianship of our

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natural resources demands that the Hells Canyon site be dedicated for full development, lest great values in fish, wildlife, scenic grandeur be wasted for generations to come.

V

Power-rate experts of the Bonneville Power Administration have testified that Hells Canyon can be added to the Bonneville system without disturbing the prevailing rate of $17.50 a kilowatt-year, the lowest wholesale power rate in the United States. Furthermore, even charging this low rate, the Federal Columbia River Power System collected $401,813,269 in total revenues to June 30, 1955, and is over $68 million ahead of schedule in repayments to the Federal Treasury. At the end of the last fiscal year, the interest paid to the Federal Treasury by power revenues from the Columbia dams had aggregated $101,080,450. This interest payment on the Federal investment in Columbia River development was in addition to expenses for operation, maintenance, and depreciation, also repaid to the Treasury from power sales.

The Bonneville Power Administration has achieved these fiscal accomplishments while selling energy at a composite average rate of 2.39 mills per kilowatt-hour during the 17 years of operation ending June 30, 1955. Sales to aluminum plants were at an average rate of 2.15 mills, to other industries at an average of 2.74 mills, to privately owned utilities at an average of 2.32 mills, and to publicly owned utilities at an average of 2.80 mills. The historic public power preference clause prevails in the Bonneville area, but during fiscal 1955, only 28 percent of the energy went to preference customers. The lion's share of the Federal power went to private utilities and private industry.

In terms of industrial expansion, existence of this large block of low-cost power has sparked a chain reaction in a region which has no other fuel for manufacture than the waterpower which spills down through the Columbia drainage. The Stanford Research Institute reported that the aluminum industry attracted to the Pacific Northwest by low-cost and abundant power has—directly and indirectly—created 85,000 new job opportunities between 1939 and 1953. The principal impact of the Federal Columbia River power system has been to enrich and diversify the economy of a region which previously had been largely dependent on agriculture and extractive industries, such as lumbering, with their peaks and valleys of boom and depression. The low-cost Federal power has created more jobs, more industry, and more private enterprise—the essential elements of a fuller and more abundant life for our citizens.

This pattern can be continued through addition of Hells Canyon Dam to the existing Columbia power system. The high Federal dam at Hells Canyon was planned as a major part in the program for regional river development. It was a key unit in the main control plan of the Corps of Engineers. Water impounded by Hells Canyon Dam will yield 914,000 kilowatts of firm power at a cost of 2.7 mills per kilowatt-hour. It will store 3,880,000 acre-feet of water, making a major contribution to control of the Columbia's destructive flood-crest. Substitution for high Hells Canyon Dam of 3 small private company dams would mean loss of 2,880,000 acre-feet of capacity, loss of 45 percent of the power potential, a boost of approximately 250 percent in power costs.

Hells Canyon is so fine a power site, providing such economical development, that it does not meet the reverse standards for public development set by this administration, which evidently favors marginal, high-cost, and dubious projects for financing by the Public Treasury. For over 3 years, the present administration has overlooked no opportunity to hasten the relinquishment of Hells Canyon to an absentee-dominated private utility company for far less than full utilization and development.

But what has been the policy elsewhere? The Colorado River carries down to the sea an average of 17 million acre-feet of water annually. The Columbia River carries to the ocean an average of 180 million acre-feet of water annually. In the basin of the Colorado, this administration has supported $756 million worth of new projects. In the basin of the Columbia, the administration has proposed no new major Federal power project starts.

The administration has supported power facilities for the upper Colorado which will cost $469,715,000 with an average net annual output of 3,500 million kilowatt-hours of electricity; and for the Fryingpan-Arkansas project, power facilities costing $44,551,000 with annual output of 467,200,000 kilowatt-hours. But the power facilities at Hells Canyon would cost $270 million and produce in excess of 5 billion kilowatt-hours annually. Thus, Hells Canyon would produce about 1 billion kilowatt-hours more power than upper Colorado and Fryingpan-Arkansas combined, at a little more than half the cost.

VI

I have lived in the American West all my life. I have made my living by writing about the history of the American West. With my wife, I have ridden over the trails of the western frontiersmen, and I have rummaged in historical collections to read their journals and diaries. I think I know enough about the West to claim, emphatically, that the West never would have been settled or developed if other western undertakings had been successfully subjected to the same nagging and faultfinding which have characterized the attacks upon the proposed high dam at Hells Canyon.

The Lewis and Clark Expedition, the first wagon trains on the Oregon Trail, the early transcontinental railroads, the setting aside of the forest reserves, the first Federal reclamation projects—these and many other great undertakings in the West were assailed by the most specious and carping arguments. But, fortunately, these arguments did not prevail. The projects went through. Lewis and Clark trekked to the Pacific, the railroads bridged the Continental Divide. Hoover and Grand Coulee Dams were constructed. Can we permit frivolous and nagging arguments to triumph over the Hells Canyon project? Once such a precedent is established, what will become of future necessary projects in the course of western development? Are they, too, to be made the target for the same continuing and withering attack which has been leveled against Hells Canyon Dam?

The Boulder Canyon (Hoover) project, the McNary Dam, the upper Colorado project, the Fryingpan-Arkansas project, the Salt River project—could any of these and others have survived politically had they been persistently assailed, not only in political speeches, but in lavishly financed brochures, national magazine and newspaper advertisements, radio and television programs?

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If the Congress allows this type of warfare to triumph over Hells Canyon, westerners may find that a Frankenstein's monster has been created. This monster will live to fight another day—against other western projects which do not suit the purposes of private groups that possess rich resources with which to make their views effective and influential.

The carping and nagging objections which have been raised against the Hells Canyon project—to create false fears and the appearance of issues where none exist—could have resulted in choking off the development of that vast section of our Nation west of the 100th meridian, had they been applied to all undertakings for Western development. The objections voiced against the Hells Canyon project are of a class with the captious doubts raised against the Lewis and Clark expedition and the first transcontinental railroads.

Ironically, many of these doubts are voiced by westerners from regions which benefit from Federal investment in developmental projects of far less economic merit than Hells Canyon. Spokesmen for the administration's double-standard policies fight determinedly for Federal development of the meager water resources of their areas, while demanding interstate compacts, 150-year guaranties, and otherwise raising imaginary doubts over the adequacy of the water supply in the raging Snake River Canyon.

Some of these tests, which its opponents have invented especially for the Hells Canyon project, would render any legislation useless. It is safe to say that if other flood control, reclamation or power projects in the history of the American West had been held up to the same searching scrutiny and criticism as the Hells Canyon project, few would fare as well as Hells Canyon has fared.

It is hard to comprehend that the administration's discriminatory, wasteful and antiwestern water resources policies has found spokesmen among western Republicans, who would measure their own projects with one yardstick and Hells Canyon with a totally different one. Such an approach to resource policy is fatal to the future of the West, as an entity.

VII

I am convinced that the economic progress of our whole country must be seen as a continuing whole. That has been true when Federal investment has been necessary for such essential foundations of economic development as river channels, ports, and other navigation facilities, railroads subsidized by gifts of land, and modern roads, as well as soil conservation. It must be equally true when Federal investment is necessary for the best development and conservation of the great natural resources of the West.

Rarely has it been openly proposed to segregate from an essential Federal function the portions which offer an opportunity for private profit, and retain only the risks and the potential losses for the public. Nobody would propose that the Government continue to deliver the mails in isolated rural areas, but turn over to private business the profitable postal services between major metropolitan centers. What would the public think of a policy under which the Government would dredge, maintain, and guard all difficult and treacherous harbors and

navigation channels, while private port companies were given the right to collect tolls from navigation on all deep and safe bays?

The investment of Federal funds to furnish the essential capital foundation for western economic development is entirely consistent with our national tradition—especially where public resources such as our great rivers are concerned. The best development and conservation of these resources is in the national interest. I have joined with the majority of the Committee on Interior and Insular Affairs in supporting programs of federally financed development throughout the West in the conviction that such development is in the national interest, and that in the long run the public investment will be repaid even in marginal projects.

Others might disagree and take the position that there should be no Federal capital investment whatever; that development which cannot attract private capital must be too uneconomic to be worth while. While I cannot share such a shortsighted approach, at least it can be consistently argued in good faith. But a program which would preserve for public development only the doubtful, marginal projects, while turning over to partial, wasteful, high-cost private exploitation the richest public resources, is not a national policy—it is organized plunder.

Yet this has been the administration's program for the West—and, incredibly, it has found spokesmen in the West who insist on Federal investment in high-unit-cost projects in their States, while denying the Pacific Northwest its low-unit-cost projects in the Columbia River Basin.

Thus the Northwest is to be penalized for being blessed by the Almighty, in the Columbia River and its tributaries, with vast volumes of water and magnificent natural dam sites. The private utilities have given the go-ahead to Federal development of high-cost sites elsewhere in the West, but they have claimed the Columbia Basin for themselves—for exploitation at power rates which will forever foreclose future cheap-power-based industrial development of the Pacific Northwest.

If the utilities are thus to be permitted to call the tune for the march of western development, it will be an economic death march—not only for the Pacific Northwest, but for all the West.

RICHARD L. NEUBERGER.

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PART III

MINORITY VIEWS

We recommend against enactment of S. 1333.

One of the issues posed by S. 1333 is simple, yet fundamental. It is whether there is to be any place in the development of our hydroelectric resources for assistance from non-Federal sources when that assistance can be rendered entirely consistent with development in accordance with a coordinated comprehensive plan.

S. 1333 would deny the Nation the benefit of such assistance. By so doing, S. 1333 would overturn a national water policy developed over a period of decades and embodied for a quarter of a century in the Federal Power Act. That policy encourages non-Federal participation in the development of our water resources under conditions adequately protecting the public interest when such development is best adapted to a comprehensive plan for the improvement of the water resources for beneficial public purposes.

Section 7 of the Federal Power Act provides that, as between private applicants, the Federal Power Commission shall give preference to the one which has the best plan to—

> develop, conserve, and utilize in the public interest the water resources of the region.

If the Commission's findings indicate that Federal development should be undertaken, the Commission is instructed by section 7 (b) not to approve a license application, but instead to submit its findings and recommendations to the Congress. Section 10 (a) requires that any license issued must be on condition that the project approved be the one—

> best adapted to a comprehensive plan for improving or developing a waterway * * * for * * * beneficial public purposes—

and that section directs the Commission, if necessary, to require any modification of the project requisite to that end before the Commission gives its approval.

The Federal Power Act stresses repeatedly the concept that development proposals must measure up to the standard of being best adapted to a comprehensive plan for the utilization of the region's water resources. In determining whether non-Federal applicants are to be refused an opportunity to undertake a project, that concept of comprehensive development is properly the test. But if a project measures up to the test of comprehensive development, not only is there nothing in the Federal Power Act that calls for a license application to be refused in favor of Federal development but such a position is entirely contrary to the objectives of the act.

The Federal Power Act came as the culmination of decades of study and experience by trial and error which demonstrated that administrative government machinery testing all project proposals by the measuring rod of comprehensive development was essential to the optimum utilization of the Nation's water resources in the public interest.

Late in the 19th century and in the early years of the 20th century, the Congress itself undertook to examine and license by separate

statutes each individual non-Federal hydroelectric project proposal. This practice did not assure consistency with the public interest because the Congress was not equipped technically to examine proposals from the point of view of optimum development of the resources of the region involved. Furthermore, the lack of uniform standards made determination of the best multipurpose development impossible and tended toward piecemeal, limited development of the better hydroelectric sites.

These deficiencies were early recognized by Presidents Theodore Roosevelt and William Howard Taft who refused to approve individual licensing bills and who urged upon the Congress the necessity for legislation of general application that would establish standards to be met by non-Federal project proposals.

Out of this and after prolonged study by congressional committees and commissions established to develop national water policy came the Federal Water Power Act of 1920, enacted during the administration of President Woodrow Wilson.

This act, which was designed to enable and encourage participation in water-resource development by non-Federal entities, public as well as private, contains the provisions and requirements mentioned above in order to assure that, whatever the agency of development, the end served will be that of a comprehensive, coordinated water-resource program.

These provisions, after most thorough congressional review, were reenacted as a part of the Federal Power Act of 1935 during the administration of President Franklin D. Roosevelt.

The present Commission was established by the 1935 act as an independent body of 5 members, no more than 3 of which may be of the same political persuasion. The Commission is equipped with a staff of expert engineers and attorneys to study and to present to it all of the facts relevant to the applications pending before it. All parties having an interest in any proposal before the Commission are afforded the opportunity to participate fully in the proceeding. All of this is designed to assure that applications for licenses will be thoroughly and searchingly examined, with the fullest opportunity for presentation of all points of view, in order that decision may be reached whether the act's standard of comprehensive coordinated development can be met by a non-Federal development proposal.

The enactment of S. 1333 would abrogate by special legislation, in an individual case, a license which has been issued by the Federal Power Commission as a result of its consideration, after protracted proceedings in which all points of view, including the proponents of Federal development for Hells Canyon site, were fully heard. These proceedings occupied a period of more than 6 months during which a record of approximately 20,000 pages and nearly 400 documents was amassed. It was in fact, the most extensive proceeding in the Commission's entire history, occupying approximately 150 hearing days.

Upon its consideration of the record and after applying the tests specified by the Congress, the Commission found the three-dam private development proposal to be "best adapted to a comprehensive plan" for the development of the Columbia Basin for the public purposes of flood control, navigation, recreation, and power. This finding, as provided by law, is now being reviewed by the courts.

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We of the minority do not presume to decide these issues as between the Hells Canyon 1-dam plan and the 3-dam plan. The majority would have the Congress undertake this task. In so doing, the majority would commit the Congress to a task for which it has neither the time nor the technical resources. It would have the Congress return to a method of individual project review tried and found wanting 50 years ago.

Furthermore, the majority position is based upon the false premise that comprehensive development requires exclusive Federal development of our water resources—a concept never approved by the Congress. The fundamental purpose of the Federal Power Commission is "to issue licenses" for the construction of water-resource projects by non-Federal public and private agencies.

We submit that the proper way to correct inadequacies, if any there be, in the Federal Power Act is by general legislation and not by special legislation such as S. 1333.

STATE VIEWS IGNORED

Another issue of great importance is involved in the doctrine which has become almost sacred in its application—that water for consumptive purposes has a high priority over all other uses. This principle underlies the water codes of the 17 semiarid States lying west of the 98th meridian. It is fundamental to the preservation of life and to the development of those areas. Nonconsumptive uses of various kinds, important as they are, are made secondary in importance to the consumptive uses in the regions where water is necessary for existence and development.

The Flood Control Act of 1944 gave recognition to this doctrine in dealing with the subject of navigation in the States lying partly or wholly West of the 98th meridian, wherein it was declared:

> The use for navigation, in connection with the operation and maintenance of such works herein authorized for contruction, of waters arising in States lying wholly or partly west of the 98th meridian, shall be only such use as does not conflict with any beneficial consumptive use, present or future, in States lying wholly or partly west of the 98th meridian, of such waters for domestic, municipal, stock water, irrigation, mining, or industrial purposes.

Section 1 of that act also requires submission of projects to State authority for comment before submission to Congress for authorization. This requirement was adopted on behalf of the Western States to assure these States a real voice in the planning and development of water-resource projects so vital to their economies. Clearly this requirement was not intended as a mere empty gesture. The spirit of this amendment quoted in part above and known as the O'Mahoney-Millikin amendment requires not only that the affected States should be consulted but that their expressed interests be recognized and reconciled wherever possible. The Governors of Idaho, Oregon, and Washington, speaking for their States, are unalterably opposed to S. 1333. So long as this remains the position of the States most immediately affected by the project, the Congress should not arbitrarily override the pledge of cooperation with affected States implicit in the O'Mahoney-Millikin amendment. No compelling circumstances can be pointed to here which would warrant violation of this amendment.

On the contrary, there is grave concern in at least four of the States of the Columbia River Basin over the possibility of an invasion of the doctrine of priority for consumptive uses of water and of the policy set forth in the O'Mahoney-Millikin amendment. In other areas reclamation projects of great importance have been delayed until an agreement between the States affected has been entered into for the protection of the rights and allocation of water among those States.

The Snake River, one of the large tributaries of the Columbia River, and where Hells Canyon is located, is the principal source of water for irrigation and other consumptive uses in the State of Idaho. This State is vitally concerned with the protection of its rights to use as much of the flow of this river as it possibly can at the present time and in the future for its full development. There is no other source of water supply for the large area in the Snake River Valley, which without water is a desert but with a plentiful water supply can reach much greater development than it has at present attained.

CONSUMPTIVE USE UNPROTECTED

A recognition for the need of an agreement between the States in the Columbia River drainage system resulted in a 1952 act of Congress, authorizing the States involved to negotiate and enter into a compact for the disposition, allocation, diversion, and apportionment of the waters of that river system. Pursuant to that authorization, the States of Idaho, Montana, Oregon, Washington, Wyoming, Utah, and Nevada appointed commissioners to represent them, and in January of 1955 those commissioners met at Portland, Oreg., and signed the compact approved December 29, 1954, at Spokane, Wash., which recognized the priority of consumptive uses, existing or future, as against nonconsumptive uses.

Under article XIV of the compact it is provided that when ratified by the Legislatures of the States of Idaho, Montana, Oregon, and Washington and consented to and approved by the Congress of the United States it shall enter into force and become effective and binding. It was ratified by the 33d Legislature of Idaho in 1955. Likewise it was approved by the States of Utah and Nevada. However, to this date neither the Legislature of the State of Washington nor the State of Oregon has ratified the compact. Until an enforceable agreement is achieved by compact, recognizing the fundamental priority of consumptive use over nonconsumptive uses, Congress should not approve projects which establish nonconsumptive downstream rights which will, or might, impair present or future upstream depletions for consumptive purposes.

Section 2 of S. 1333 attempts to meet the issue just raised but in our opinion fails to give the enforceable protection to upstream users for consumptive purposes which a compact would assure and which the situation requires. The reasons for this conclusion, together with other issues, will be presented during Senate consideration of the pending bill.

EUGENE D. MILLIKIN.
ARTHUR V. WATKINS.
HENRY C. DWORSHAK.
FRANK A. BARRETT.
BARRY GOLDWATER.

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Calendar No. 2299

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2276

PROVIDING FOR THE REDEMPTION BY THE POST OFFICE DEPARTMENT OF CERTAIN UNSOLD FEDERAL MIGRATORY-BIRD HUNTING STAMPS, AND TO CLARIFY THE REQUIREMENTS WITH RESPECT TO THE AGE OF HUNTERS WHO MUST POSSESS FEDERAL MIGRATORY-BIRD HUNTING STAMPS

JUNE 19, 1956.—Ordered to be printed

Mr. MAGNUSON, from the Committee on Interstate and Foreign Commerce, submitted the following

REPORT

[To accompany H. R. 5256]

The Committee on Interstate and Foreign Commerce, to whom was referred the bill (H. R. 5256), having considered the same, report favorably thereon, with an amendment and recommend that the bill as amended do pass.

The bill would amend section 1 and section 2 of the Migratory Bird Hunting Stamp Act of March 16, 1934, as amended by section 1 of the Act of June 15, 1935 (49 Stat. 378; 16 U. S. C., 1952 ed., sec. 718a).

The amendment to section 1 would clarify the age provisions in existing law to conform to the intent of Congress. Existing law provides that "no person over 16 years of age" shall take any migratory waterfowl unless at the time of such taking he is carrying an unexpired and properly validated hunting stamp. Since such language could easily be interpreted to mean until a minor's 17th birthday, the present bill substitutes the language "no person who has attained the age of 16 years", thus definitely establishing the date in the life of a minor when the act shall become applicable.

The section 2 amendment makes it mandatory for the Post Office Department to reimburse retail dealers for unused stamps which are on consignment and returned at the end of the season in blocks of two or more. Under existing law, it is discretionary with the Post Office Department, and, as a result, many dealers are afraid to stock the stamps for sale in fear of being "stuck" for the unsold and unused stamps. The bill also defines the term "retail dealer" thus establishing the merchants who are eligible to buy and distribute the stamps under the bill.

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The proposed bill will clarify the provisions of the existing act and enable the executive departments involved to administer the act in a more businesslike manner. It will also serve to protect the businessmen who stock the stamps as a convenience to the public from suffering any undue loss.

The act is further amended by the addition of section 3. This additional section was suggested by the Postmaster General to correct the storage and accounting problems that are accumulating under the present act, which provides that the unsold stamps in suitable condition be turned over to the Philatelic Agency of the Post Office Department for sale to collectors. Inasmuch as the Philatelic Agency sales amount to approximately 12,500 stamps annually, the remainder must be stored with virtually no further market for sale. The amendment would permit the initial sale to collectors and subsequent destruction of the unsold stamps in possession of the Philatelic Agency. This would solve the storage problem and, perhaps, increase the collectors sale volume if collectors were aware that the remainder of an issue will be destroyed.

The reports of the various Government departments are appended. All departments that commented were favorable to the legislation.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, May 16, 1956.

Hon. WARREN G. MAGUNSON,
Chairman, Committee on Interstate and Foreign Commerce,
United States Senate.

DEAR MR. CHAIRMAN: Reference is made to your letter of May 10, 1956, requesting our report on H. R. 5256.

The act would clarify the requirements of the Migratory Bird Hunting Stamp Act of March 16, 1934, as amended (16 U. S. C. 718), with respect to the age of hunters who must have Federal migratory-bird hunting stamps, and would provide for the redemption of unused stamps purchased for resale by retail dealers. Such redemption would be made by the Postmaster General pursuant to regulations prescribed by him. It is assumed that the Postmaster General's regulations plus the limitation of redemption to blocks of two or more attached stamps will effectively discourage any widespread abuse of the redemption privilege.

We have no information regarding the need or desirability of the proposed legislation, and, therefore, we have no recommendation to make as to its merits.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

OFFICE OF THE POSTMASTER GENERAL,
Washington, D. C., June 7, 1956.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
United States Senate.

DEAR MR. CHAIRMAN: Reference is made to your request for the Department's report on H. R. 5256, as passed by the House of Representatives. The bill is entitled, "A bill to provide for the redemption

by the Post Office Department of certain unsold Federal migratory-bird hunting stamps, and to clarify the requirements with respect to the age of hunters who must possess Federal migratory-bird hunting stamps."

The provisions of the measure as passed by the House of Representatives are satisfactory to this Department. However, this Department does suggest that there be added to H. R. 5256 a section 3 to clarify the laws relating to the disposal of migratory-bird hunting stamps by the Post Office Department.

Under the provisions of section 1 of the act of June 28, 1941, codified in section 718i of title 16, United States Code, all migratory-bird hunting stamps remaining unsold at the close of the hunting season for which they are provided must be turned over to the Philatelic Agency of the Post Office Department for sale to collectors until disposed of, or until the Congress otherwise provides. Because the volume of the stamps turned over to the Philatelic Agency exceeds the demand therefor, this provision of law places a considerable burden upon the Department.

To make an adequate distribution of the annual issues of migratory-bird hunting stamps approximately 5,000,000 such stamps must be manufactured and placed in the hands of the fifteen Regional Distribution Postmasters. Only an average of one-half of this number, or roughly 2,500,000 stamps are sold each year. The remaining 2,500,000 stamps are transferred to the Philatelic Agency. This Agency, after selling about $25,000 worth, or 12,500 stamps, has practically saturated the philatelic market. This means that since June 28, 1941, at least 25 million stamps, valued at $50 million would have accumulated in the Philatelic Agency with little, if any, prospects of further sales.

Under the circumstances, and as a practicable matter, the Department has recalled at the close of each hunting season each year all unsold stamps. From those returned the Department has selected from 200,000 to 300,000 stamps considered to be in salable condition for philatelic purposes, and has transferred them to that office, destroying the balance under the authority contained in section 718b of title 16, United States Code, which provides in part, that "* * * all such stamps remaining unsold by the Post Office Department at the expiration of said June 30 shall be destroyed by said Department."

It is the view of this Department that the present laws should be clarified so as to authorize the Department to retain only such number of the migratory-bird hunting stamps each year as are necessary to meet the demand of philatelists. The Department also should be authorized to destroy the excess stamps so that a storage and accounting problem will not be continually involved. To accomplish this purpose, it is requested that H. R. 5256 be amended by the addition of a section 3 to read as follows:

"SEC. 3. (a) Hereafter such quantity of migratory-bird hunting stamps, not sold at the end of the fiscal year for which issued, as determined by the Postmaster General to be (1) required to supply the market for sale to collectors, and (2) in suitable condition for such sale to collectors, shall be turned over to the Philatelic Agency and therein placed on sale. Any surplus stock of such migratory-bird hunting stamps may be destroyed in such manner as the Postmaster General shall direct.

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"(b) The fourth sentence of section 2 of the act of March 16, 1934, as amended (48 Stat. 451; 16 U. S. C., sec. 718b), is hereby further amended to read as follows: 'Such stamps shall be usable as migratory, bird hunting stamps only during the fiscal year for which issued.'

"(c) The first and second provisos in the paragraph under the heading 'Migratory Bird Conservation Fund' in the act of June 28, 1941 (55 Stat. 356; 16 U. S. C., sec. 718i), are hereby repealed."

The Bureau of the Budget has advised that there would be no objection to the submission of this report to the committee.

Sincerely yours,

MAURICE H. STANS,
Deputy Postmaster General.

DEPARTMENT OF THE INTERIOR,
Washington, D. C., July 25, 1955.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
United States Senate, Washington 25, D. C.

MY DEAR SENATOR MAGNUSON: Your committee has requested a report on S. 1658, a bill to provide for the redemption by the Post Office Department of certain unsold Federal migratory-bird hunting stamps.

We recommend the enactment of S. 1658, if amended as suggested in this report.

S. 1658 would amend section 2 of the so-called Migratory Bird Hunting Stamp Act of March 16, 1934, as amended (16 U. S. C., 1952 ed., sec. 718b). This proposed amendment of section 2 of the act would strike out the last sentence of that section, which provides that migratory-bird hunting stamps sold pursuant to the act shall not be redeemable in cash or in kind. S. 1658 would replace that provision with a provision that would permit the Postmaster General to provide for the redemption of unused migratory-bird hunting stamps which have been sold to retail dealers for resale to their customers but which have not been resold by such dealers.

We believe that an express authorization for the redemption of unused migratory-bird hunting stamps would probably be advantageous to both the hunting public and the Government, if accompanied by adequate safeguards against abuse of the redemption privilege. The Post Office Department, in 1949, inaugurated an administrative practice of selling quantities of hunting stamps to hardware stores and sporting goods stores for resale by them as a convenience to their customers. These sales are virtually on a consignment basis, it being understood that the local post office selling the stamps will withhold sufficient funds to reimburse the stores for any unsold hunting stamps remaining at the end of the hunting season. However, express authority on this matter is desirable and S. 1658 would make it possible for additional hardware and sporting goods stores and other retail dealers to participate in the sale of hunting stamps as a public service. Enactment of this measure would provide assurance that they will not suffer financial loss because of unsold stamps remaining on hand at the close of the hunting season.

While we concur in the objective of this bill, from our experience in administering the Migratory Bird Hunting Stamp Act, we recom-

mend that certain additional safeguards concerning the redemption of unused stamps be incorporated in the bill. The first of these would be to permit unused stamps to be redeemed only in blocks of two or more attached stamps. This would preclude unscrupulous persons from tendering for redemption stamps that have been actually sold by the dealer and used by a hunter, but that appear on their face not to have been used because the hunter has failed to sign his name on the stamp as required by law. In the second place, it would be desirable to define the term "retail dealers" as used in the bill so as to make clear that the redemption privilege is to be available to, and only to, regular retail dealers in hunting or fishing equipment and persons authorized to sell State or county hunting or fishing licenses. Such a change would preclude the redemption of hunting stamps that have been sold for philatelic purposes, or for other purposes outside the normal channels of distribution to the hunting public. Finally, in view of the somewhat experimental nature of the proposal, it would seem that redemption should not be made mandatory upon the Postmaster General.

We also suggest that the proposed amendment be written in a form that would delete from the next to the last sentence of section 2 of the Migratory Bird Hunting Stamp Act the provision which states that all hunting stamps remaining unsold at the end of the fiscal year for which they were issued shall be destroyed. This provision has been superseded and impliedly repealed by a direction in section 1 of the act of June 28, 1941 (55 Stat. 356; 16 U. S. C., 1952 ed., sec. 718i) that all such unsold hunting stamps be turned over to the philatelic agency of the Post Office Department for sale by that agency.

In connection with your consideration of the need for amending section 2 of the Migratory Bird Hunting Stamp Act, we have a further recommendation to make which relates to the clarification of a provision in section 1 of that act, as amended (16 U. S. C., 1952, ed., sec. 718a). This is the provision which states that "no person over 16 years of age" shall take any migratory waterfowl unless at the time of such taking he carries on his person an unexpired Federal migratory-bird hunting stamp validated by his signature. The expression "over 16 years of age" is subject to various interpretations, one of which would be that a youth does not need a hunting stamp until he reaches the age of 17, since it can be said that a person remains "16 years of age" throughout the year following his 16th birthday and until he attains his 17th birthday. Although the legislative history of the act contains conflicting statements on the point, it is believed that the Congress intended to exempt minors from the hunting stamp requirement only until they reached their 16th birthday. In any event, this age seems to be a reasonable point of demarcation, and one that should not work any hardship on youths who desire to participate in the sport of hunting waterfowl. It would be desirable, therefore, to incorporate in section 1 of the act language which would specifically require hunting stamps to be obtained by persons who have "attained the age of 16 years."

A draft of proposed amendments to S. 1658 that would carry out the foregoing suggestions is attached. We recommend the adoption of these amendments.

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The Bureau of the Budget has advised that there is no objection to the submission of this report to your committee.

Sincerely yours,

ORME LEWIS,
Assistant Secretary of the Interior.

PROPOSED AMENDMENTS TO S. 1658

Strike out all after the enacting clause and insert in lieu thereof the following:

"That section 1 of the Migratory Bird Hunting Stamp Act of March 16, 1934, as amended by section 1 of the Act of June 15, 1935 (49 Stat. 378; 16 U. S. C., 1952 ed., sec. 718a), is hereby amended by striking out the words 'no person over sixteen years of age', and by inserting in lieu thereof the words 'no person who has attained the age of sixteen years'.

"SEC. 2. The last two sentences of section 2 of said Act of March 16, 1934, as amended by section 2 of said Act of June 15, 1935 (49 Stat. 379; 16 U. S. C., 1952 ed., sec. 718b), are hereby amended so as to read as follows: 'Each such stamp shall expire and be void after the 30th day of June next succeeding its issuance. The Postmaster General, pursuant to regulations to be prescribed by him, may provide for the redemption, on or before the 30th day of June of each fiscal year, of blocks composed of two or more attached unused stamps issued for such year that were sold on consignment to retail dealers for resale to their customers and that have not been resold by such dealers. As used in this section, the term 'retail dealers' means persons regularly engaged in the business of retailing hunting or fishing equipment, and persons duly authorized to act as agents of a State or political subdivision thereof for the sale of State or county hunting or fishing licenses."

Amend the title so as to read: "A Bill to provide for the redemption by the Post Office Department of certain unsold Federal migratory-bird hunting stamps, and to clarify the requirements with respect to the age of hunters who must possess Federal migratory-bird hunting stamps."

TREASURY DEPARTMENT,
Washington, May 16, 1955.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: Reference is made to your request for comments of the Treasury Department on S. 1658, a bill to provide for the redemption by the Post Office Department of certain unsold Federal migratory-bird hunting stamps.

The bill would amend section 2 of the Migratory Bird Hunting Stamp Act of March 16, 1934, as amended, by repealing the provision that no stamp sold shall be redeemable by the Post Office Department in cash or in kind and authorizing the Postmaster General to provide by regulations for the redemption on or before the 30th day of June of each fiscal year of any such unused stamps issued for such year

which have been sold to retail dealers for resale to their customers and have not been resold by such dealers.

The Treasury Department has no comments to make with respect to the merits of the bill. It is assumed that the Post Office Department and the Department of the Interior, the agencies directly concerned with the administration of the above act, have been requested to report upon the bill.

Very truly yours,

DAVID W. KENDALL,
General Counsel.

DEPARTMENT OF JUSTICE,
Washington, D. C., May 17, 1956.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
United States Senate, Washington, D. C.

DEAR SENATOR: This is in response to your request for the views of the Department of Justice concerning the bill (H. R. 5256) to provide for the redemption by the Post Office Department of certain unsold Federal migratory-bird hunting stamps, and to clarify the requirements with respect to the age of hunters who must possess Federal migratory-bird hunting stamps.

The bill has been examined, but since the subject matter thereof is not related to any of the activities of the Department of Justice, we would prefer not to offer any comment concerning it.

Sincerely,

WILLIAM P. ROGERS,
Deputy Attorney General.

In compliance with subsection 4 of rule XXIV of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italics, matter proposed to be omitted is in brackets, existing law in which no change is proposed is shown in roman):

MIGRATORY BIRD HUNTING STAMP ACT

(49 Stat. 378)

TITLE I.—MIGRATORY BIRD HUNTING STAMP

SEC. 1. That [no person over sixteen years of age] *no person who has attained the age of sixteen years* shall take any migratory waterfowl * * *

SEC. 2. * * * [Each such stamp shall expire and be void after the 30th day of June next succeeding its issuance and all such stamps remaining unsold by the Post Office Department at the expiration of said June 30 shall be destroyed by said Department. No stamp sold under this Act shall be redeemable by said Department in cash or in kind.] *Each such stamp shall expire and be void after the 30th day of June next succeeding its issuance. The Postmaster General, pursuant to regulations to be prescribed by him, shall provide for the redemption, on or before the 30th day of June of each fiscal year, of blocks composed of two or more attached unused stamps issued for such year that were sold*

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on consignment to retail dealers for resale to their customers and that have not been resold by such dealers. As used in this section, the term "retail dealers" means persons regularly engaged in the business of retailing hunting or fishing equipment, and persons duly authorized to act as agents of a State or political subdivision thereof for the sale of State or county hunting or fishing licenses. Such stamps shall be usable as migratory-bird hunting stamps only during the fiscal year for which issued.

SEC. 3. (a) Hereafter such quantity of migratory-bird hunting stamps, not sold at the end of the fiscal year for which issued, as determined by the Postmaster General to be (1) required to supply the market for sale to collectors, and (2) in suitable condition for such sale to collectors, shall be turned over to the Philatelic Agency and therein placed on sale. Any surplus stock of such migratory-bird hunting stamps may be destroyed in such manner as the Postmaster General shall direct.

* * * * * * *

MIGRATORY BIRD CONSERVATION FUND

(55 Stat. 356)

[Sec. 718i. Disposal of surplus stamps.

[All migratory bird hunting stamps provided for in sections 718–718h or this title not sold at the end of the fiscal year for which issued shall be turned over to the philatelic agency and therein placed on sale until disposed of or until the Congress otherwise provides: *Provided*, That such stamps shall be usable as migratory bird hunting stamps only during the fiscal year for which issued.]

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